

Resource security: The European Raw Material Initiative

ESDN Case Study No. 6

Nisida Gjoksi

ESDN Office Team

www.sd-network.eu

June 2011

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Introduction

In recent years, commodity markets have experienced increased volatility and unprecedented price movements in all major commodities, including energy and non-energy resources (i.e. metal, mineral). The years between 2002 and 2008 were marked by a major surge in demand for raw materials. There are numerous reasons for this in the physical markets. Some of them underlie market explanations, such as growing demand of BRIC countries for raw materials due to excessive economic growth and resulting shortage of supply. Some are the cause of the closed links of commodity markets with financial markets. Therefore, excessive speculations on commodity derivative markets have also caused price surges on real commodities. However, resource scarcity has moved up in the European political agenda mainly as an economic concern of ensuring access to resources and guaranteeing a sustainable supply. The European economy's dependency on resources is demonstrated in its import data from China, as China is accounted for 97% of the world production in 2009 (European Commission 2011). Moreover, Europe's value chain is highly depended on certain raw materials which are critical in terms of risks of supply and risks of distribution in face of the continuous growing economies as China, Brasil and India.

Against this background, in 2001 the EU has launched the raw material initiative in order to set guidelines on how to deal with the risks of resource scarcity and has worked since then to implement it. This ESDN Case study describes the aim and measures of the initiatives and which integrated approach it takes in regard to resource polices in a sustainable development context. It then provides some recommendations of tackling resource scarcity in the context of sustainable development¹.

European Union raw material initiative

Beyond the developments related to price volatility and the interaction between physical and financial commodities markets, the question of physical supplies of raw materials has been tackled in the [Raw Material Initiative](#) (RMI) of 2008. After an identification of 14 critical raw materials² - or restricted resources on the international markets with Member States and stakeholders - the European Commission clarified guidelines and measures in improving its own condition for the competition over these resources. In February 2011, an update on the RMI titled "[Tackling the challenges on commodity markets and on raw materials](#)" was presented to the public, setting the stage for future actions. In the frame of the RMI the EU has launched a bilateral cooperation on raw materials Within the [Africa/EU Joint strategy 2011-2013](#) and has proposed also actions for trade in the [Raw Materials Trade Strategy](#).

¹ We would like to thank Robert Holnsteiner (Austrian Federal Ministry of Economy, Family and Youth) for valuable inputs for this case study. Mr. Holnsteiner will also hold a "flashlight" presentation about the topic of this case study in one of the parallel working groups at the ESDN Conference 2011.

² "Critical raw materials for the EU", report of the RMSG Ad-hoc working group on defining critical raw materials June 2010.

Aims of the initiative

The initiative is based upon three pillars:

- *Reducing the EU's consumption of primary raw materials*: the first step in ensuring a sustainable supply of raw materials is to increase the efficiency in the use of scarce resources and to promote the recycling of these materials. This aim is all the more relevant in the context of limited supply growth facing ever increasing global demand.
- *Increasing the availability of raw materials sourced within the EU*: another important internal aspect of the initiative is to ensure that the right framework and conditions are in place to prevent unnecessary administrative burdens from limiting the use of locally available raw materials
- *Promoting the sustainable supply of raw materials from third countries*: this is the main external angle of the strategy. Given the dependence of the EU on imports, it is important to ensure that the supply of raw materials to our economy is both and carried out under undistorted and fair conditions for all parties (European Commission 2009).

The updated European Commission's Communication on ["Tackling the challenges on commodity markets and on raw materials"](#) is based on these three pillars, formulating its new aims similar to the aforementioned: (1) to monitor the critical raw materials, (2) to ensure a fair and sustainable supply of raw materials from global markets, (3) to foster a sustainable supply with resources from within Europe and (4) to reduce the raw materials consumption in Europe by boosting resource efficiency and recycling (European Commission 2011). It is noticeable that access to raw materials and a sustainable supply, which does not mean necessarily sustainable extraction methods, are the most specified aims (Sydow et al. 2011).

Resource efficiency and resource scarcity

One of the main strategy aims in resource conservation is to become more resource efficient, not only within Europe, but also from a global perspective. The paths for doing so are underlined mainly in the Europe 2020 flagship initiative on resource efficiency, which will be followed by concrete action and measure in the road map for a resource efficient Europe. In this regards, the Raw Material Initiative (RMI) refers to the EU flagship initiatives which will set the main technological and structural changes in the production process to make the economy more resource efficient. However, the flagship initiative still lacks clear actions, which should be outlined in the future roadmap. The RMI further specifies the need in improving recycling rates and preventing the illegal export or dumping of waste electronic and electronic equipment. "Urban mining" is identified as a very useful strategy entailing a big potential in gain important critical resources such as metals (European Commission 2011: 18). In sum, the actions are mostly focussed on improving and enforcing waste legislation and the resource efficiency actions have to become more concrete.

Access to resources and their linkages to development and sustainability issues

It is noticeable that the RMI does not necessarily link access to raw materials and their sustainable supply to environmental issues. Assured access to resources is regarded as a geopolitical issue that can be guaranteed through liberalization of trade policies (such as agreeing on the reduction of export restrictions), special partnerships for abolishing trade barriers, or in cases “where no progress was registered” using the tools of WTO dispute settlements with resource- rich countries (Sydow et al. 2011:4)

The sustainable supply is also vaguely linked with development issues. The RMI talks of “raw materials diplomacy” through enforcing partnerships, public consultation between resource rich countries and resource importing countries. The aim is to promote human rights, good governance, conflict resolution, regional stability. However, besides the naming of these concepts, no clear guidelines are indicated as how to prevent the resource curse.

Moreover, the EU development policy aim is to create linkages from extractive industries towards local industries, in order to improve the value chain. Regarding the extractive industry the EU encourages the reform of taxation regimes for improved revenues on resources. On the other hand, though it aims to have an unrestricted access to resources and liberalized trade regimes abolishing quotas, bans, duties. It is disputable, therefore, if one observes resources within the limited carrying capacity perspective, if trade liberalization is sustainable in the long-term in terms of conserving resources.

In light of the corruption and violation of human rights from the extractive industries the EU also encourages government to implement the Extractive Industries Transparency Initiative (EITI). This initiative should increase the accountability and transparency of companies in terms of revenues from extraction of resources. This is welcomed as corruption is a huge problem within the extractive industry sector (Sydow et al. 2011). However, the EITI is not a binding regulation and as long as no binding regulations are forced onto companies, there is too much reliance on the “good will of companies” (Sydow et al 2011).

From a global perspective the EU has prepared certain actions to better manage the waste shipments to third countries. This has been better specified under the Waste framework directive. Moreover, the illegal export and dumping of waste by supporting member states is implemented and regulated in the Waste shipment regulation (European Commission 2011: 14).

Challenges of the RMI for future action

The RMI is regarded as a welcomed initiative at the European level. It is one of the first to identify resource scarcity as a concern for future economic development and provides useful recommendations from an economic and European perspective on resource scarcity (Friedns of the Earth 2008). The following guidelines related to supply security are being implemented at the national level:

- a) Saving “critical” resources;
- b) Save-guarding national supply;

- c) Elimination of trade barriers and distortion of competition;
- d) Enhancing resources efficiency and recycling;
- e) Science and technology measures concerning raw materials from unconventional sources;
- f) Recycling and substitution of raw material needed for future technologies (e.g. alternative energy systems, e-mobility).

However, the initiative relies too much on economic concerns and does not properly address the environmental and social implications of resource scarcity from a global perspective. In a global context of resource availability, the RMI shows a certain lack of coherence, above all regarding development policy goal and sustainability (Sydow et al 2011). The following points are to be mentioned if the RMI is being assessed in the context of sustainable development:

- *Unsustainable trade policies*: regarding trade policies, RMI is being criticised for enforcing the rights of importing countries (Sydow et al 2011:2) and not taking in consideration the long-term effect of those policies if resources should not be exploited above their natural limits.
- *Lack of clear actions on resource-efficiency*: there is still a lack of concrete actions and guidelines how the EU aims to undertake concrete actions in becoming a more resource efficient economy.
- *Lack of regulations*: while the resource sector is characterised by a lack of binding regulations and global governance structures, the RMI shows no step to close this gap and continues to rely on voluntary mechanisms or good will of companies. The lack of binding regulations on resource extraction at the company level and European standard on extraction industries, for not violating human rights should be better addressed in the future.

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