



# POLICY BRIEF

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## Raw material scarcity in Europe: stakeholder collaboration to achieve a transparent and accountable supply chain

### Summary

- *Securing a sustainable and transparent supply of raw materials in the EU*
- *Stakeholder perspectives on collaboration to achieve a transparent and accountable supply chain*
- *Conclusion*

### 1. Securing a sustainable and transparent supply of raw materials in the EU

The supply of raw materials is fundamental to the growth of the European industry. Their availability has a positive impact on European growth and jobs, but is increasingly under pressure. The Raw Materials Initiative (RMI) was launched in 2008 as a response to this challenge<sup>1</sup> and outlines the EU's raw materials policy goals.<sup>2</sup> The European Innovation Partnership (EIP)<sup>3</sup> was

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<sup>1</sup> European Commission (2008), *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*, Brussels. November 2008, 13p. [online]: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52008DC0699>

<sup>2</sup> The policy was revised in 2011: see European Commission (2011), *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions – Tackling the challenges in commodity markets and on Raw Materials*, Brussels. February 2011, 23p. [online]: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0025:FIN:en:PDF>



set up as a tool to implement the RMI and foster partnership between relevant stakeholders (EU Member States, companies, researchers, CSOs, etc.).

With regards its first pillar “ensuring a level playing field in access to resources in third countries”, the RMI identified as one of its priorities the inclusion of rules in trade agreements to achieve a **more sustainable supply of raw materials from global markets**. This led to a series of political agreements such as Fair Trade Agreements, Cooperation Agreements, and WTO accession negotiations. The EU Trade Raw materials strategy promotes a differentiated approach by taking into account development priorities. Another initiative supporting the first pillar is the EU’s Raw Materials Diplomacy dialogues which facilitate collaboration amongst EU Member states and partner countries. These dialogues are established by Letters of intent with Argentina, Uruguay, Colombia, Mexico, Chile, Peru, Greenland, Morocco, Tunisia, and Myanmar. Several events took place in this context, with the US, Japan, Latin American countries, Canada and Australia.<sup>4</sup>

In February 2014, the European Commission published a report underlining that Member States do not share the same perspectives on mineral policies.<sup>5</sup> Based on this earlier work, the *Ad Hoc Working Group on Exchange of best practices on minerals policy and legal framework, information framework, land-use planning and permitting* (AHWG) published a set of recommendations on the framework conditions for the extraction of non-energy raw materials in the European Union.<sup>6</sup>

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<sup>3</sup> European Innovation Partnership on Raw Materials website:  
[http://ec.europa.eu/enterprise/policies/raw-materials/innovation-partnership/index\\_en.htm](http://ec.europa.eu/enterprise/policies/raw-materials/innovation-partnership/index_en.htm)

<sup>4</sup> Such events included: the EU-US-Japan workshop on Criticality (December 2013); the EU-Latin American dialogue on Raw Materials (March 2014) and the workshop on best practices on mining policies and technologies (June 2014) with the EU, Canada, Australia, Chile, Brazil, Mexico, Peru and the US.

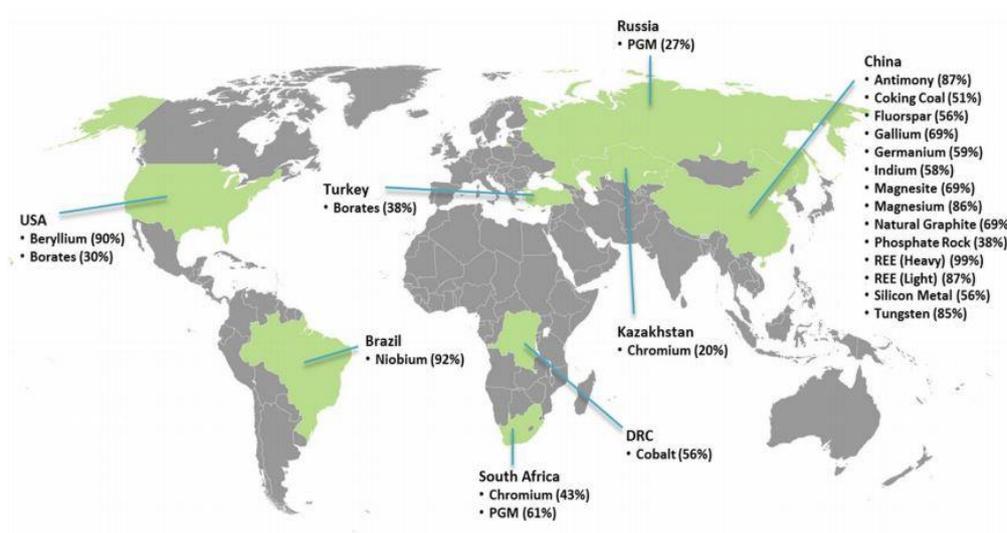
<sup>5</sup> European Commission (2014) *Report on National Minerals Policy Indicators. Framework conditions for the sustainable supply of raw materials in the EU*, Brussels. February 2014, 24p. [online]: [http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/nat-ind-raport\\_en.pdf](http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/nat-ind-raport_en.pdf)

<sup>6</sup> European Commission (2014) *Recommendations on the framework conditions for the extraction of non-energy raw materials in the European Union* Brussels. October 2014



In May 2014, the AHWG published a revised list of most **critical raw materials** to the EU.<sup>7</sup> Fifty-four materials were analysed using the framework on economic importance and supply risk. Alongside confirming previously identified critical materials, new materials were added to the list such as coking coal, phosphate rock, silicon. The figure below identifies the major producers of the twenty EU critical raw materials, and shows that China has a hegemonic position on global supply. The European Commission is taking into account political and diplomatic dimensions of global supply of critical raw materials in drafting European policies.

**Figure 1 - Major supplying countries of the EU Critical Raw Materials<sup>8</sup>**



## 2. The 3<sup>rd</sup> COBALT EU Dialogue and stakeholder perspectives on collaboration to achieve a transparent and accountable supply chain

The 3<sup>rd</sup> COBALT EU Civil Society-Industry Dialogue, which took place on 11 February 2015, brought together a group of high-level participants for a discussion on the topic of “Raw material scarcity in Europe: stakeholder collaboration to achieve a transparent and accountable supply chain”. The group considered the roles of various key actors – and in particular industry

<sup>7</sup> European Commission (2014) *Report on Critical Raw Materials for the EU*, Brussels. May 2014, 41p. [online]: [http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/crm-report-on-critical-raw-materials\\_en.pdf](http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/crm-report-on-critical-raw-materials_en.pdf)

<sup>8</sup> *Ibid.*, p.30.



and civil society – in driving a more transparent and accountable supply chain, and evaluated the potential for inter-stakeholder collaboration on this topic.

The presentations and discussions which took place during this Dialogue highlighted certain key issues – or wicked issues – which could be considered further.

**Wicked issue:  
Making  
sustainability  
innovation  
become EU  
industries’  
competitive  
advantage**

#### **Wicked issue 1: How to improve the transparency of available data?**

*European producers have underlined that they have to publish guidance on a variety of issues (global schemes, European schemes, ISO standards, etc.) and to report to many different agencies. The industry has been seeking to progress on different topics such as legal compliance, going beyond legal compliance, reporting and transparency, and stakeholder engagement.*

*However, other stakeholders pointed out that the existing available data on products (provided by life cycle databases for example) is often incomplete. Thus, it is not always fully exploitable for researchers working on raw materials. Thus as this information is not always available by manufacturers, researchers find it difficult to provide relevant and easily understandable information to consumers, for example, in order to better understand material composition of products*

#### **Wicked issue 2: Can we improve transparency and accountability of the supply chain of raw materials without hampering the competitiveness of industries?**

*Achieving an accountable supply chain of raw materials in a context of global competitiveness is a complex task for European producers.*

*EU companies may view new transparency regimes such as corporate social responsibility reporting and auditing as additional “burdens” to the European industry. In particular, stakeholders highlighted that SMEs lack specific tools and guidance to be able to combine competitive pricing and sustainable supply all at the same time. SMEs are, by definition, small or medium-sized companies which do not always have enough resources (e.g. time, human resources, or funding) to be able to increase their social and environmental responsibility without hampering their competitiveness in a globalised market.*

*There is also a risk that EU consumers prefer less sustainable but cheaper products to more sustainable and more expensive European ones. According to some of the participants, consumers’ sustainability awareness on raw material may provide fertile ground for the EU companies to increase their sales and become more competitive, through further innovation, boosted by initiatives of the EIP.*

**Wicked issue:  
Existing ‘Conflict  
Minerals’  
initiatives in DRC  
are designed and  
implemented with**



### **Wicked issue 3:** What do we know about local perceptions and impacts of existing conflict minerals initiatives?

*The European network for Central Africa (EurAc), together with International Peace Information Service (IPIS), has conducted research on perceptions of local mining communities and impacts of existing conflict minerals initiatives in the Democratic Republic of Congo (DRC). Launched by national governments or the OECD (OECD standards, Dodd-Frank Act in the US, etc.), these initiatives seek to formalise this artisanal sector.*

*Results show that isolating the effect of one initiative in DRC is a complex task, as impacts are overlapping. Moreover, these initiatives face feasibility and credibility problems. The challenging context is further complicated by governance and security issues. The stakeholders who attended the EU Cobalt Dialogue discussed the appropriateness of mandatory due diligence at EU level and at downstream parts of the supply chain.*

*Participants have also highlighted the role of EU-based NGOs as mediators between local communities and Brussels, to which they provide useful ground experience and knowledge inputs. Some of the stakeholders have pointed out that the EU regulations should be fuelled by more financing to local partners, for them to cover these regulations effectively. In some areas, there is a lack of capacity of local services which could be further addressed by the EU.*

## **3. Conclusion**

**Access to raw materials**, including the most critical ones, **is fundamental for European industries**, for improving EU citizens' quality of life,<sup>9</sup> and for reducing dependency and improving supply conditions. Keynote speakers underlined the usefulness of the critical raw materials list as a helpful policy tool to monitor issues of critical raw materials to identify priority actions (trade, legislation, research). For example, presentations have shown that the EIP has implemented targeted actions to reduce import dependency, improve supply conditions, provide alternatives in supply and mitigate negative environmental and social impacts. In 2015, the EU's new funding tool, Horizon 2020, called for proposals<sup>10</sup> on topics such as innovative solutions for sustainable production of raw materials or sustainable propositions for raw materials substitution. In 2014, 12 proposals were selected with over 190 partners from 20 EU Member States and 8 non EU-countries. Keynote speakers have also underlined that participants from third countries can apply in any of the H2020 calls as partners of a consortium. The programming of H2020 Work Programme 2016-17 has just started and

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<sup>9</sup> DG ENTR website : [http://ec.europa.eu/enterprise/policies/raw-materials/critical/index\\_en.htm](http://ec.europa.eu/enterprise/policies/raw-materials/critical/index_en.htm)

<sup>10</sup> The deadline for H 2020 2015 Call is April 21th 2015.



will include, following the success of ERECON Network,<sup>11</sup> the development of further expert networks on critical raw materials, as well as international network of training centres in the area of raw materials and strategic international dialogues with raw materials producing countries.

The EU's efforts to improve access to critical raw materials and international cooperation show that this topic is a serious concern for the next years. The reaction of participants to case-studies presentations emphasised the challenge for European companies to improve transparency along the value chain without hampering their competitiveness. Indeed, during the Dialogue, EU industry experts underlined that there are many existing reporting schemes and frameworks, both European and international (e.g. Global Reporting Initiative (GRI), Corporate Reporting, ISO standards...). Stakeholders have underlined that standards and initiatives already exist: the Extractive Industries Transparency Initiative (EITI),<sup>12</sup> for example, is a global standard focused on natural resources, including raw materials. EITI aims to improve stakeholders' accountability in relation to extraction of raw materials, to avoid corruption and/or conflicts, and to seek a more open dialogue between civil society, industries and governments. Nonetheless, other participants deplored that available data is not always accurate and complete, especially for research purposes (e.g. Life Cycle databases).

National governments and international organisations have launched several initiatives to formalise artisanal sectors, such as mining, in extracting countries (OECD standards, Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act in the USA,<sup>13</sup> etc.). A few brands and industries have simultaneously developed a new business model, more favourable to transparency in raw materials extraction and to their traceability along the value chain.<sup>14</sup> However, case-studies presentations have drawn attention on practical illustrations of existing technical obstacles

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<sup>11</sup> Presentation of the European rare Earths Competency Network:  
[http://ec.europa.eu/enterprise/policies/raw-materials/erecon/index\\_en.htm](http://ec.europa.eu/enterprise/policies/raw-materials/erecon/index_en.htm)

<sup>12</sup> EITI website: <https://eiti.org/eiti>

<sup>13</sup> US SEC website: <http://www.sec.gov/spotlight/dodd-frank/speccorpdisclosure.shtml>; PWC (n.d.) Preparing for Section 1502 of the Dodd-Frank Act [online]: <http://www.pwc.com/ca/en/mining/conflict-minerals-section-1502-dodd-frank-act.jhtml>

<sup>14</sup> For example, Fairphone is a brand which seeks to trace the origin of raw materials used in the mobile phone they sell. Fairphone's website: <http://www.fairphone.com/>



to achieving fairer products. For example, tracing minerals is a very complex task, which is challenged by the fact that materials are mixed.

The Dialogue shed light on the benefits of inter- and intra-stakeholder collaboration to achieve a transparent and accountable supply chain. The EU industry has knowledge and inputs on the extraction process. However, some researchers have emphasized the need for a closer dialogue between the industry and academia, to share their expertise, provide data and identify gaps. Case studies presented during the Dialogue underlined the capacity for CSOs to express concerns on the industry's impact on local populations. By engaging with civil society, EU industries may increase their legitimacy through greater transparency. Discussions have also stressed the benefits associated with local expertise provided by CSOs liaising with civil society organisations in extracting countries, a valuable input for policy makers, academia and industry.

#### **Authors**

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