



7 July 2011

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**INFORMAL MEETING OF MINISTERS FOR ENVIRONMENT  
(ENVIRONMENT COUNCIL)  
WORKING LUNCH ON RESOURCE EFFICIENCY  
11 JULY 2011, SOPOT**

**INTERVENTION BY GIUSEPPE MONTESANO  
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President Kraszewski,

Ministers,

It is a great honour for BUSINESSEUROPE to address this Informal Environment Council meeting. I would like to thank the Polish Presidency for having invited me to present the views of the business community on "*Resource Efficiency Governance*".

BUSINESSEUROPE represents 20 million companies, which means 120 million jobs in Europe. It brings together all of the leading national business organisations from each European Union countries and from some EU candidate countries. Lewiatan is BUSINESSEUROPE's member for Poland.

**Key resource challenges for EU industry**

The sufficient supply of raw materials and resources – be it oil, gas, coal, metals, minerals, biomass or water - is essential for economic growth. Mining, trade and processing of raw materials as well as further manufacturing and recycling are important contributions to the overall economy. EU-wide this amounts to more than € 1,300 billion of value added along the value chain with employment for some 30 million people.



Recent bottlenecks in global raw material supplies have put the issue high on the agenda. The dramatic shortage in rare earths receives especially large attention. Despite its particularity, the rare earth case is symptomatic for a large overall dependence of the European industry on resources from outside the EU.

A number of problems have developed for European business. In the run-up to the financial crisis, supply constraints emerged in various raw material markets leading to a substantial increase in their price for European industries. Overall, raw materials are up 20% since last year. Most of these supply constraints arose due to the increase in demand from emerging countries such as China, India, Brazil or Russia.

A second challenge is the demand for certain minerals emerging from the development of cutting-edge technologies. Most of the so-called high-tech, IT hardware and most green-tech hardware requires substantial mineral content. This can include traditional metals such as copper as well as very specialised, rare metals, the production and supply of which is concentrated in China. This is particularly the case for hybrid and electric cars, for which demand could overtake supply levels in the near future.

A third challenge can be classified as market distortions. Many countries around the world have adopted policies to favour the supply of raw materials to their own industrial markets. The number of WTO members applying export duties increased by a third comparing the periods of 1997-2002 and 2003-2009. These market distortions have resulted in many problems for European industry as they lead to competitiveness distortion for downstream users.

Some of these resources are available inside the EU, for example construction minerals such as gravel and sand. The production value of EU domestic mining of raw materials amounts to € 45 billion. However, there is a real challenge for the development of a mining industry, which faces severe constraints from a land-use perspective.



Dear Ministers, you will understand that resources use is a true competitiveness agenda which is absolutely crucial for our companies. But it is also an environmental agenda because we obviously cannot and must not disregard the environmental impact of a global population which is set to increase by 30% to the horizon of 2050.

### **A resolute multi-faceted EU strategy**

As a result of these challenges, the security of raw materials and resources supply has become an increasing priority for European businesses, a priority which is closely linked with environmental concerns. Therefore, today, more than ever, the multi-pillar approach of the EU policy must be pursued, namely:

- to forge an international consensus in support of undistorted trade,
- to improve conditions for access to and extraction of raw materials in Europe while preserving the environment and natural resources,
- to stimulate innovation in substitution, and develop secondary material markets and resource efficiency.

We are pleased to see that actions have been taken by the Commission. For example, the EU has, together with the US and Mexico, launched a WTO case against China's export restrictions on minerals such as bauxite and magnesium. BUSINESSEUROPE applauds the WTO decision taken last week, which confirms that Chinese export duties and restrictions are incompatible with multilateral trade rules. It also sets a strong precedent for undistorted raw materials trade and paves the way for freer trade in raw materials globally.

More can be done however. In the framework of the G20, for example, the leading economies should agree to stop and even to reverse the proliferation of export restrictions. Since no country is self-sufficient, undistorted raw materials trade should be promoted. This would ultimately favour not only fair competition, but also overall optimal use of resources.



With respect to EU sources of supply, some internal rules should be rethought. Extraction of raw materials increasingly competes with other land uses (natural reserves, settlement, etc.). Land-use planning policies should therefore duly take into account potential mining of construction minerals, preferably by setting up national raw material plans, so as to secure long-term access. Furthermore mineral exploration and extraction authorisation or licensing systems should be streamlined and made less costly. Governments, while protecting the environment, should work towards simplification to avoid unnecessary burden for industry.

### **Forward-looking EU resource efficiency policy – KEY ENABLERS**

In order to advance resource efficiency, potential offered by recycling and secondary use must not be underestimated. It is threefold: reducing industry's import dependence, opening up new industrial recycling markets, and fostering new technology development. Whereas secondary use already plays a central role in some industrial sectors (e.g. scrap in the steel industry), in other sectors potential remains under exploited.

In electronic and electrical equipments for instance, recycling of critical metals is highly complex. There are currently no recycling technologies in commercial scales, only pilot plants running, for valuable metals such as tantalum (cell phones), lithium (batteries), germanium, and rare earths.

EU policy and its implementation at national level has a central role to play in realising this potential. It must help by closing existing recycling gaps and thus making waste available for industrial recycling as well as by boosting research into substitution of critical raw materials and resource efficiency. As an example, requirements on the management of certain substances should facilitate recycling as it is the case for ash from coal power plants, which can be used in the construction industry with substantial savings in materials and energy.



EU policy must also be well-balanced to avoid unintended negative effects and to ensure fair conditions for all economic operators, such as the raw materials suppliers, the product manufacturers and the recyclers. In particular top-down targets on resource use must be avoided as they could jeopardise innovation, leading to less sustainable alternatives, and ultimately harm the competitiveness of European industry.

In concrete terms, I see three areas where further efforts should be deployed:

- Securing conditions for a proper access of materials for secondary markets. In the short term, significant improvements in resource efficiency can be made by reducing the bureaucracy of when materials and articles are being reincorporated in Europe into the value chain through recycling and reuse. To that end, proper enforcement of pragmatic end-of-waste criteria measures should stimulate intra-EU shipments but should not allow leakage of recyclable materials to countries not meeting environmental sound management criteria.
- Strengthening communication across the supply chain. Resource efficiency and recycling depends on effectiveness of each step in the value chain. A better understanding of the properties of markets of primary and secondary resources and their downstream uses that takes all lifecycle stages into account is an essential pre-requisite. Therefore, policy-makers and industry have to work together across the entire value chain in order to address bottlenecks and develop synergies.
- Fostering innovation. Innovative techniques and methods for production processes or products, recycling, recovery or substitution to improve overall efficiency will be necessary to achieve a resource-efficient Europe in a cost-effective way. Such innovation should also give European businesses a competitive advantage vis-à-vis our trading partners on a market expected to grow over the next decades. Let me express a word of support here for the Commission proposal to substantially increase funds for research and innovation in the next multiannual financial framework. It is more than ever what Europe needs.



### **Examples on how resource efficiency is reflecting on business**

I would like to end my intervention by addressing three practical examples which illustrate the diversity of resource efficiency approaches developed by European industry.

- Recycling of metals in electric and electronic appliances is a fast growing waste stream in Europe. More than 95% could be recovered in the future, feeding EU industry with secondary raw materials energy-efficiently in a closed loop.
- An industrial prototype is installed to test whether the organic matter in household and industrial wastewater can be converted into valuable product such as bioplastics and methane.
- Last but not least is industry's ability to develop innovative materials. Thanks to massive R&D investments, lighter and stronger properties for aluminium and steel for example have led to massive weight savings in various everyday applications (cans, trucks, etc.), meaning less use of resources and often less energy consumption.

Dear Ministers, I hope I have persuaded you of the commitment of European industry to sustainable use of resources. This is a truly multi-dimensional issue presenting commercial, competitiveness and environmental challenges among others. It is in this spirit that we wish to pursue dialogue with you and the European Commission with a view to the future communication « Roadmap for a Resource-efficient Europe ».

Thank you for your attention.

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