

Europe's concerns over critical raw materials

Europe and critical raw materials

Brussels, 07.02.2020, 16:04 Time

USPA NEWS - As developing nations intensify their industrial operations, they draw on the finite pool of essential materials needed to run modern economies. EU policymakers seem to be struggling to square the need to acquire and secure critical raw materials with their sustainable development ambitions. Voices in Europe have expressed concern that those at the top do not fully appreciate the strategic risk of further import dependency in Europe.

In terms of certain raw materials, Europe is resource poor. It is a net importer of raw materials, for which it has had a trade deficit since 2002. In 2019, the trade deficit stood at €31 billion. Decisions made on the grounds of sustainable development do not sufficiently consider strategic market and supply consequences.

This is particularly a problem as it relates to the 27 critical raw materials (CRMs) named by the European Commission as having "a high supply-risk and a high economic importance to which reliable and unhindered access is a concern for European industry and value chains."

Accessing these raw materials is growing increasingly difficult. Developing countries require more and more of them and the market supply is dwindling. This could spell disaster for the EU if it does not develop appropriate strategic vision.

One major concern is the geographic concentration of these materials. Most notably, China has around 70% of the global supply of CRMs, while Brazil, the United States, Russia, and South Africa each have a dominant position over their own particular minerals. This creates the potential for supply to Europe to be affected by changes to the trade policies of these countries along with more traditional international tensions.

Areas of concern:

- Phosphate fertilisers and food security

Of particular concern are phosphate fertilisers which have a direct impact on agriculture and therefore food security. The EU has almost no phosphate rock, with the exception of modest reserves in Finland. Legislation passed by the European Commission limiting cadmium concentrations in fertiliser has reduced the number of potential suppliers to the EU, increasing market competition and preparing the stage for increases in prices.

In this example, the prioritisation of sustainable development is likely to result in future strategic limitations in how phosphate fertilisers can be sourced. This has the potential to put the European agri-food sector under unnecessary strain and could cause damage to a number of markets.

Controversially, this decision has been made amid a sustained effort by certain stakeholders to frame the discussion as a health issue, making inaccurate use of studies in order to bias debate on a truly critical resource. "Industry is cherry-picking the science to make their case," according to Erik Smolders, a soil scientist at K.U. Leuven Amsterdam.

- Energy

Although a separate and significant issue in and of itself, EU energy supply practices are another cause for concern. In 2017, EU energy dependency on imports, such as crude oil, natural gas, and other sources, accounted for 55%. As a result of a downward trend in domestic production, EU member states are increasingly dependent on non-members countries for their energy needs. This also means that these non-state countries have greater and greater influence over EU decision making and additional means of exerting

pressure.

- Rare metals and renewable energy

The EU sources most of its rare earth metals from non-member regions. Rare earth metals are crucial to many modern technologies, such as smart phones, televisions and monitors, hard drives, and electric vehicles.

The EU commission highlighted how crucial these resources are in advancing the renewable energy transition, stating in a report from 2018 that they “are irreplaceable in solar panels, wind turbines, electric vehicles, and energy-efficient lighting.”^[2]

Dire consequences

The consequences of European positioning in terms of the supply of resources and CRMs are that the EU is increasingly exposed to any and all forms of volatility.

Up to present day, disruptions in crude oil supply have had ramifications around the world: as resources become scarcer, the numbers of materials which could be catalytic for conflict and extreme market fluctuations will only increase.

According to Jane Korinek, an economist and trade policy analyst at the OECD, in the case of five strategic minerals and metals, at least 95% of them are produced in just three countries. Along with greater supply needs from emerging economies, there are the new demands of climate crises and the need to meet energy requirements through renewable technologies.

Given the increase in global tensions, trade wars, unconventional forms of aggression, and a trend of countries turning inward, the possibility that conventions in trade are severely disrupted in Europe in the coming years is relatively high.

The European stainless steel industry is experiencing its own instance of resource-related volatility. Indonesian steel exports combined with US tariffs are devastating the domestic European market.

“Indonesia is sitting on vast quantities of nickel, they’ve set up an entirely export-oriented stainless-steel industry,”^[3] said Aurelio Braconi, senior raw materials manager at European steel industry association Eurofer.

Indonesian steel is pouring into Europe at incredibly-low prices because of the country’s direct access to the nickel needed to produce it.

“We have a double exposure,”^[4] he explained. “We don’t have enough resources in Europe and we don’t have the possibility to compete.”^[5]

This is also an example of how quickly market winds can change.

Two years ago, when the EU set its policy on trade, Indonesia was not producing stainless steel. As such, the country was not included in any protective measures written into trade legislation. A lack of strategic vision by the commission has cost EU stainless steel producers vast sums of money and it is putting jobs at risk. There is concern that the realities of the consequences of such decisions are not fully understood by policymakers.

Continuing towards a future in which Europe is utterly dependent on external parties could be catastrophic for the block’s independent decision making. EU policymaking needs to be quicker to adapt to what has become a capricious world economy. If it does not equally prioritise securing vital material supplies and investing in domestic production where at all possible, it could become the greenest, most progressive economy with absolutely no control over its own destiny.

Article online:

<https://www.uspa24.com/bericht-16458/europes-concerns-over-critical-raw-materials.html>

Editorial office and responsibility:

V.i.S.d.P. & Sect. 6 MDStV (German Interstate Media Services Agreement): Jacob Harris

Exemption from liability:

The publisher shall assume no liability for the accuracy or completeness of the published report and is merely providing space for the submission of and access to third-party content. Liability for the content of a report lies solely with the author of such report. Jacob Harris

Editorial program service of General News Agency:

UPA United Press Agency LTD

483 Green Lanes

UK, London N13NV 4BS

contact (at) unitedpressagency.com

Official Federal Reg. No. 7442619