

STRADE



Strategic Dialogue on Sustainable Raw
Materials for Europe

**Towards New Paths of Raw Material
Cooperation – Renewing EU Partnerships**

Summary Brochure



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Report on EU engagement with industrial countries

Report on EU cooperation with developing & emerging countries

Report on due diligence & certification of conflict minerals

Synthesis of environmental & social aspects

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PB on Europe's role and responsibility in responsible mining

PB on global platforms for improved resource governance

PB on holding international businesses responsible

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Report on competitiveness of EU mining sector

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What is STRADE about?



STRADE Objective

STRADE aims to support the European Commission with analyses, stakeholder dialogues and derived conclusions to assist in shaping political action so as to:

- ▶ guarantee Europe access to raw-material supply from diversified global and European sources.
- ▶ support the increase of responsibly extracted minerals, under best-practice standards, in the EU's raw-material supply.
- ▶ ensure the global mining sector contributes to the sustainable socio-economic development of the host country.

STRADE Focus

- ▶ STRADE concentrates its research on primary raw-materials with a strong regional focus on Africa, Latin America and China.
- ▶ Within Europe, STRADE addresses European Union (EU) level policies and not those of individual Member States.

STRADE is a dialogue-based project, reflecting the perceptions, considerations & viewpoints from stakeholders in developing, emerging & industrial countries.

Global Mineral Sector – State of Play I



EU State of Play

- ▶ EU remains import dependent & requires unhindered access to international markets to meet its minerals & metals need.
- ▶ EU downstream companies require stable & non-discriminatory mineral prices.
- ▶ EU security of supply concerns are shifting, as trade wars & sanction risks emerge.
- ▶ EU based mines are cost-competitive & EU mining-tech companies are global leaders.

International Mineral Sector - State of Play

- ▶ Global mineral demand is still increasing, as income levels rise in many countries.
- ▶ Demand for some green technology minerals is increasing.
- ▶ An increasing number of mining regions are in competition with each other, to attract investments from responsible mining companies.
- ▶ China is a key global player in the minerals & metals value chains.
- ▶ The threat of nationalism and trade restrictions is an increasing risk in the global minerals sector.

Global Mineral Sector – State of Play II



Developing & Emerging Resource-Rich Countries

- ▶ The mineral sector is a major driver of economic growth & development.
- ▶ The mineral sector can assist countries in achieving UN SDGs by 2030.
- ▶ Mineral dependency remains a concern and economic diversification remains important.
- ▶ Low governance, corruption & tax avoidance seriously undermine mining sector's contribution to development.

Global Socio-Environmental Challenges

- ▶ Good governance is key & wide implementation of regulations remains a challenge.
- ▶ The protection of social & human rights need to continue to be addressed in many regions.
- ▶ Environmental challenges from tailings dams, water usage & acid drainage etc. need to be collectively addressed.
- ▶ Support for artisanal & small-scale mining sector is required – exclusion of ASM from supply chains is not an option.

Global Mineral Sector – EU's Role III

STRADE recommends a leading role for EU in the global responsible mining & sourcing agenda.

EU's Role in Supply Chains

- ▶ As a major global user of minerals, the EU plays an important role in determining the standards within mineral supply chains.
- ▶ Many EU manufacturing companies are the final node of global mineral supply chains, and they are increasingly required to ensure responsible sourcing along their supply chains.
- ▶ EU is committed to a more responsible sourcing approach. The Conflict Mineral Regulation and the TRADE for All concept are steps towards this goal.

EU's Role in International Dialogues

- ▶ There are numerous global initiatives, guidance documents and standards, but they remain fragmented and unequally implemented.
- ▶ China shows increasing efforts on responsible mining & sourcing and needs to be included in international dialogues.
- ▶ No actor is taking the global lead to advance international responsible mining cooperation. The EU is well suited to take this position.

Supporting the EU Mining Sector

Importance of a Healthy EU Mining Sector

- ▶ Mining provides employment & income generation in some EU regions lacking alternative opportunities.
- ▶ Domestic production reduces some of the strategic supply risk of import dependency.
- ▶ A competitive EU mining-tech sector needs EU mining for technology development.
- ▶ Domestic supply can support EU green technology manufacturing sector.
- ▶ Promoting international responsible mining & sourcing standards is only credible if the EU observes the same principles domestically.

STRADE recommends an investment promotion strategy to maintain a healthy EU mining sector

Key Actions Required

- ▶ Increasing exploration expenditure & mining investment is needed.
- ▶ Need to address discretionary decision making in Member State mining regulations for:
 - Exploration Licence
 - Security of Tenure
 - Right to Mine
- ▶ Create awareness campaigns to improve EU citizens' knowledge & perception of mining.

Recommended Investor Promotion Strategy

- ▶ Create a One-Stop-Shop for investors.
- ▶ Design & execute a targeted investor promotion strategy.
- ▶ Create an EU wide Mining Rights Information System.

EU Cooperation with Developing & Emerging Countries I



Objectives of EU Cooperation with Developing & Emerging Countries

- ▶ Diversifying mineral supplier portfolio to reduce risk in supply.
- ▶ Increasing uptake of responsible standards for global mineral production and supply chains.
- ▶ Facilitating mining and mineral sectors' contribution to wider economic and sustainable development in order to achieve the SDGs in host countries.

Key Actions Required in Raw-Materials Diplomacy & Cooperation

- ▶ Balanced political dialogues & diplomatic engagements
 - ▶ Need to consider inherent power imbalance
 - ▶ Need to ensure that dialogues flow in both directions and consider partners' priorities.
- ▶ Policy coherence for development (PCD)
 - ▶ Need to better incorporate principles of PCD in EU raw materials policies
 - ▶ Need to clarify the first pillar of the RMI on considerations for third country priorities.

STRADE recommends sensitive, balanced raw materials diplomacy and political dialogues.

EU Cooperation with Developing & Emerging Countries II

Key Actions in Raw-Materials Diplomacy & Cooperation

- ▶ **ODA projects to address mining in wider economic context**
 - ▶ Mining has long been viewed in isolation
 - ▶ Better integration of mining in the local and national economy is a main concern for partners today
 - ▶ Mining-related ODA projects need to be better embedded within wider economic engagements and support programmes.
- ▶ **Improve EU communication strategy**
 - ▶ EU policies and actions in partner countries are often not clear or severely misunderstood
 - ▶ EU needs to develop and implement a focused communication strategy around EU raw-material related initiatives, projects and policies
- ▶ **Build mining sector competencies at the EC & EU Delegations to implement raw-material diplomacy and political dialogues, and support a wide variety of EU actions.**

Mining must be embedded in wider economic development processes & assistance programmes.

EU to improve raw-material communication strategy & build in-house mining sector capacities.

EU Cooperation with Developing & Emerging Countries III



Key Actions to Support Developing & Emerging Country Mineral Sectors

▶ Support good governance frameworks & implementation

- ▶ Good governance is paramount for a global responsible mining sector that can contribute to sustainable development
- ▶ Ongoing programmes to promote general good governance to be continued and extended
- ▶ Mineral and mining sector governance to be integrated within these wider programmes
- ▶ Focus needs to shift to implementing legal and regulatory frameworks.

▶ Key areas for good governance support

- ▶ Coordination between different government levels & institutions
- ▶ Strengthening local level governance capacities
- ▶ Strengthening parliamentary oversight
- ▶ Strengthening CSO & community participation.

▶ Key approaches

- ▶ Capacity building for stakeholders
- ▶ Support best-practice exchange platforms and networks.

STRADE's key recommendation for the EU's cooperation with developing and emerging countries is to support good governance.

EU Cooperation with Developing & Emerging Countries IV



Key Actions to Support Developing & Emerging Country Mineral Sectors

- ▶ **Fully address financial transparency, tax avoidance & corruption**
 - ▶ Financial transparency, tax avoidance and corruption are highly relevant issues for the sustainable development agenda
 - ▶ The need for action remains urgent.
- ▶ **Support the artisanal & small-scale mining (ASM) sector**
 - ▶ ASM is an integral part of rural livelihoods; it provides millions of rural jobs and contributes significantly to local economic development and poverty alleviation
 - ▶ Need to embed ASM within long-term rural development assistance programmes.
 - ▶ Engagement on improving the ASM sector's conditions to be continued and measures that can lead downstream companies to avoid ASM minerals to be avoided

The ASM sector is of great importance. STRADE recommends to continue engagement on improving the ASM sector's conditions and to include it in long-term rural development programmes.

EU Cooperation with Developing & Emerging Countries V

Key Actions to Support Developing & Emerging Country Mineral Sectors

▶ Academic and technological cooperation & capacity-building

- ▶ Ongoing programmes to support geological surveys and implement multi-purpose cadastres to be continued
- ▶ Support developing regional centres of excellence and connecting these with global knowledge networks

▶ Support EU private sector engagement

- ▶ EU to facilitate responsible investment by EU companies abroad, adhering to international best-practice standards, to improve the practices in less well governed mining sectors in third countries.

▶ Facilitate development of domestic linkages from the mining sector

- ▶ Linkages between the mining sector and the local economy are critical for increasing the sector's contribution to wider economic development
- ▶ Past supplier development programmes have had limited success
- ▶ Need for country-specific evaluation of past efforts and to follow the lessons-learnt in devising new programmes.

STRADE recommends to maintain ongoing programmes to support academic, technological & private sector cooperation; contributing to the development of linkages.

EU Cooperation with Developing & Emerging Countries VI

Key Actions to Implement EU Supply Chain Responsibility

The EU Conflict Minerals Regulation (CMR)

▶ Background

- ▶ The CMR will require most EU importers of tin, tantalum, tungsten and gold from conflict-affected and high-risk areas (CAHRAs) to comply with and report on supply-chain due-diligence obligations by 2021
- ▶ The objective is to improve human rights conditions and curtail funding for armed groups in CAHRAs

STRADE regards measures to action EU supply chain responsibility as partial and interim solutions, which should be supported to compensate for the lack of governance.

▶ Specific Recommendations for Implementation

- ▶ Regularly repeat impact assessments of the CMR, with the results informing policy modifications or termination.
- ▶ Include third-party certification schemes, on which the CMR relies, in assessments to provide credibility to the system.
- ▶ Employ a detailed dissemination strategy to provide all stakeholders with relevant knowledge.
- ▶ Fund research that can reduce the costs of certification and ensure a fair sharing of responsibilities along the supply chain.

EU Cooperation with Developing & Emerging Countries VII

Key Actions to Implement EU Supply Chain Responsibility

- ▶ **Expand responsible sourcing beyond 'conflict minerals'**
 - ▶ Important to ensure real changes on the ground for all mining activities
 - ▶ Explore how implementation of the EU CMR can simultaneously strengthen the governance of other mineral sectors
 - ▶ Extend EU CMR accompanying support measures to include broader responsible mining and sourcing beyond the conflict dimension
 - ▶ Continue support for mineral production from ASM sources certified to premium standards which look at broader improvements towards responsible production conditions.
- ▶ **Support cross-sectoral human rights & environmental due diligence**
 - ▶ Mandate broader human rights and environmental due diligence in the mineral sector beyond 'conflict minerals', applying a cross-sectoral approach.
- ▶ **Establish non-judicial grievance mechanisms**
 - ▶ Support cross-sectoral non-judicial grievance mechanisms to complement judicial options in granting claimants alternative access to remedy.

STRADE recommends supporting the implementation of successful responsible supply chain management schemes and ensuring that real changes occur on the ground.

EU Cooperation with Developing & Emerging Countries VIII

Regional Focused Raw-Material Engagement

Latin America

- ▶ EU-Latin America cooperation to shift further towards a partnership approach, as increasing number of countries no longer eligible for bilateral ODA.
- ▶ Continued ODA support recommended for topics:
 - ▶ Of mutual relevance for EU and Latin America
 - ▶ Of high complexity requiring a regional approach
 - ▶ Where the EU and Member States have recognized international expertise.
- ▶ Engagements should be designed as long-term programmes.

For ongoing EU-Latin America cooperation, find a careful balance between progress to a partnership approach, & continued support through ODA.

Africa

- ▶ Engage with the African Mining Vision (AMV), a key vision document for African countries - it sees the extraction of mineral wealth as catalyst for structural transformation.
- ▶ Reinvigorate diplomatic relationship with African countries, including a clear acknowledgment of the importance of Africa's raw-materials for the EU.

STRADE recommends that the EU actively support the implementation of the African Mining Vision.

EU Cooperation with Industrialised Countries I



Industrialised countries are important partners in international dialogues on responsible minerals.

Australia

- ▶ Australia seeking to diversify mineral exports away from China.
- ▶ Inclusion of EIA standards in EU-Australia Free Trade Agreement negotiations a positive step.

EU's raw material engagement with Australia, Canada & Japan are at a satisfactory level, that mostly requires 'Care & Maintenance' for the future.

Canada

- ▶ There is potential for Canadian companies to challenge Member States' discretionary decision-making in mining licencing, under CETA rules.
- ▶ Initiatives on EU-Canada mineral investment promotion efforts to continue.

EU Cooperation with Industrialised Countries II



United State of America

- ▶ Increased strategic risk for EU access to international minerals due to USA-led global trade disruptions on EU trade partners.

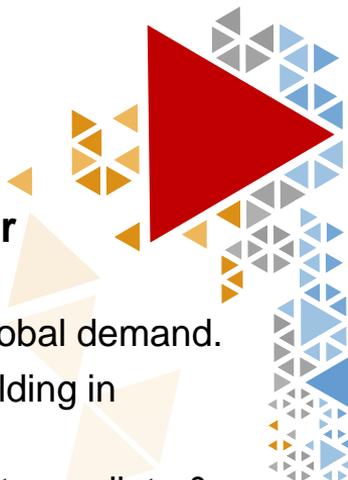
USA: Emerging threat from trade sanctions & global instability to be addressed through wider engagement.

Russian Federation

- ▶ An important source of EU raw materials and intermediate products.
- ▶ Trade constrained by international politics.

Russia: EU policy must balance the bilateral benefits from raw material trade with Russia against implications from wider political conflicts.

EU Cooperation with China I



Chinese Policies & Strategies

- ▶ The Belt & Road Initiative for international engagement will foster China's engagement with third countries – it has increasing presence in Asia, Africa & Latin America.
- ▶ China is gradually working towards improving supply chain due diligence.
- ▶ Chinese operators have significant presence in conflict regions producing minerals.
- ▶ China is developing a 'Green Mining' approach for its domestic sector.

China is a key mineral value chain actor, with improving mining performance.

China as Key Global Player

- ▶ Accounts for nearly half of global demand.
- ▶ Increased Chinese equity holding in international mining projects.
- ▶ Is a significant exporter of intermediate & finished mineral products.

EU & China

- ▶ China will play a critical role in the effective implementation of EU Conflict Minerals Regulation.
- ▶ China is a key global partner for addressing multilateral issues and managing global economic instability.

EU Cooperation with China II

Dialogue with China & EU-China cooperation in responsible mining & sourcing is key

Responsible Mining Standards

- ▶ EU support is recommended to assist Chinese international mining operations to meet international best practices, in cooperation with the OECD & Member State development agencies.
- ▶ It is recommended that the EU assume leadership and invite Chinese stakeholders, for a East-West & North-South dialogue on global standards.

Responsible Sourcing Standards

- ▶ EU must continue dialogue on conflict minerals with Chinese authorities & companies; despite existing barriers in engagement.
- ▶ The EU needs to directly engage with & inform Chinese companies on the EU Conflict Mineral Regulations.
- ▶ The EU needs to explore the advantages of EU engagement with the Chinese led Responsible Cobalt Initiative.

EU & Multilateral Dialogues I

STRADE recommends that the EU take the lead in multilateral & global dialogues on responsible mining and sourcing.

Current Status

- ▶ Numerous international dialogues & initiatives exist, but remain fragmented.
- ▶ Mineral value chains are becoming increasingly global and highly complex.
- ▶ Substantial socio-environmental & economic challenges remain.
- ▶ EU's global standing and economic & political power is a valuable asset to address responsible mining & sourcing.

East-West & North-South Dialogue

- ▶ There has been limited involvement by developing countries for most standards that have been developed previously.
- ▶ Western & Chinese standards are operating in parallel across the same regions.
- ▶ Need for the next generation dialogue on a global standard & creating a level-playing field.



Global Agreement

- ▶ High political value of a joint process aiming at a truly global standard.
- ▶ Sends a positive signal in current climate of widespread nationalism.

EU & Multilateral Dialogues II

Global Solution-Oriented Platforms

- ▶ A global platform on responsible minerals, bringing together all actors along the mineral value chains, is missing.
- ▶ STRADE remains skeptical whether the formation of a new central institution for global resource governance is the solution.

STRADE recommends the creation of several topic-specific and solution-oriented platforms on responsible minerals.

Example I: EU support for UNEP's Global Platform on Safe Tailing Dam Management

- ▶ The platform shall address and coordinate global action for the development of funding & assurance schemes for sound tailings management & rehabilitation in developing countries.

Example II: Global Forum on Legacy Mines

- ▶ Global funding & technical assistance is urgently required for mapping & rehabilitation efforts for legacy mines across the world.

EU & Multilateral Dialogues II

The future of R&D&I and training must be strongly embedded in international networks. This exchange is essential for a strong EU mining & mining-tech sector.

Utilize Global R&D&I Networks

- ▶ R&D&I activities increasingly becoming global, with multi-directional flows of knowledge.
- ▶ EU researchers & companies need to learn from global practices, including activities in developing countries.
- ▶ EU to better utilize bilateral professional exchange programmes to foster mutually beneficial learning.
- ▶ Global R&D&I exchange strengthens best-practice standards across regions.

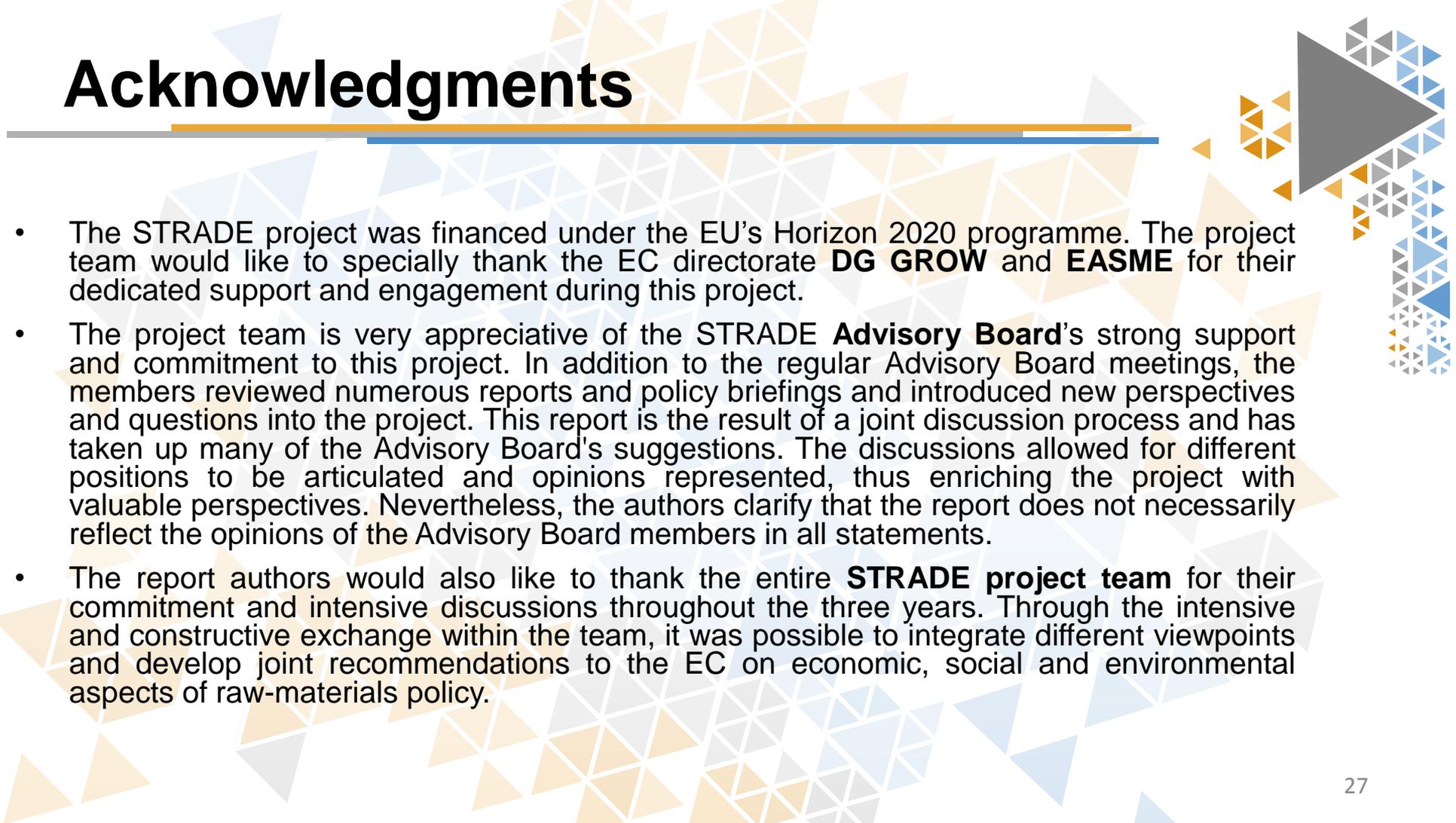
Supporting Regional Centres of Excellence

- ▶ Developing & emerging countries increasingly cluster R&D&I activity.
- ▶ The EU will benefit from a close exchange with regional centres.
- ▶ EU support for strengthening skills in RECs through bilateral educational exchange programmes is recommended.
- ▶ Continue programmes such as the EU-Latin America Minerals Developments Network Platform (MDNP)

Final Remarks

The EU's future raw-material policy must be based on partnership. Whether this is through leading multilateral dialogues on responsible mining and sourcing or supporting the creation of international knowledge networks, the EU must play a leading role in shaping the future of the global raw-material sector.

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