



## ACEA Position on the Commission's Initiatives on Raw Materials, and the Flagship Initiative for a Resource Efficient Europe

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### **Overview of ACEA position:**

ACEA suggest the following recommendations.

#### **The EU should:**

- Ensure fair global market conditions and a level playing field using the following means, including:
  - ⇒ Enforced WTO rules against any import restrictions but also no exports restrictions (neither primary nor secondary materials) e.g. by including binding disciplines against those restrictions in FTA negotiations and address access to raw materials in bilateral discussions and other measures based on a fair level playing field.
  - ⇒ No monopolistic/oligopolistic structures in the raw material markets.
  - ⇒ No speculation but predictable price signals (triggering both research for substitution and enabling the business case for recycling).
- Strive for a level playing field for the access to raw materials in third countries.
- Use the leverage of the FTA negotiations and the political dialogues to raise the questions of fair and secure strategic access to raw materials.
- Support scientific work to further develop a common understanding on what 'resource efficiency' really is.
- Study resource efficiency of different world regions, to lead policy actions into the right direction and to promote an exchange of best practices.
- Stimulate strategic research initiatives for finding substitutes for scarce raw materials within the context of the EU raw material initiative as well as the promotion of clean and fuel efficient vehicles. ACEA welcomes the activities to set up an Innovation Partnership on Raw Materials and is interested in taking part in the partnership.

#### **The EU should not:**

- Impose additional unilateral legislation or taxes on our industry to avoid market distortions.
- Focus on traditional regulatory focus around recycling, raw materials and efficient use of resources as these are already sufficiently regulated (e.g. ELV recycling)
- Focus on setting targets such as the lead indicators currently discussed that implicitly favour an economic model with less industry and more financial services with the risk of financial crisis which we are currently facing.

#### **Conclusion:**

*ACEA welcomes the inclusion of strategic research for material substitution and resource efficiency in the road maps and initiatives. However, ACEA calls on the EU Commission to re-focus the other items of the road map for resource efficiency towards the real problems as more comprehensively addressed in the wider raw materials initiative. Instead of traditional approaches it should be acknowledged that economies are already sufficiently driving resource efficiency unless markets are either overruled by speculation, oligopolies or trade restrictions.*

## **Background:**

The EU Parliament initiative on Raw Materials is an opportunity for EU policy makers to provide a comprehensive European strategy on the long term sustainable and secure access of raw materials, in order to respond to strategic approaches in other world regions, and to ensure a competitive European Industry. In this context, the Commission's flagship initiative for a 'Resource efficient Europe' and road map can help to further strengthen the manufacturing basis of the European industry **IF** focusing on the right aspects, i.e. ensuring free trade, sustainable sourcing and strategic research for substitution in critical areas where free access to sustainable sources cannot be guaranteed. This will ensure continued resource efficiency, too.

The European Automobile Industry, a key player of the European industry, wishes to contribute to the ongoing political discussion on access to raw materials and resource efficiency in a constructive manner. ACEA, the European Automobile Manufacturers' Association, will therefore address several key issues in this document.

## **Key issues for the Automobile industry:**

### **We need fair, long term and secure global access for raw materials.**

Our industry welcomes that EU and national policy makers have identified the secure and sustainable access to raw materials as a central economic issue. Artificial resource scarcity in other world regions due to economic policy initiatives or oligopolies leads to significant economic risks for the European Automobile Industry.

We need free, fair and broad access to raw materials under competitive conditions. This will be of increasing importance as the global demand of our industry for raw materials is likely to continue or even grow given the expected increase in demand for transportation. In addition, new types of materials will be needed with the move towards the electrification of vehicles which has recently begun. Therefore, access to strategic materials is a fundamental pre-requisite for the future competitiveness of EU manufacturing as a whole, including the automotive industry.

*Other regions of the world are more active in not only defending the interest of their manufacturing industries but also actively securing resources not available in their region. Together with the other manufacturing industries, the vehicle manufacturers strongly encourage the EU to implement a comprehensive raw materials strategy which will restore a free market with a same level playing field for European industry as for other regions of the world.*

### **The European Automobile Industry is already efficiently and responsibly using raw materials.**

Automobiles are complex products based on a large variety of different raw materials. Besides steel and non-ferrous metals, polymers, and glass, and trace amounts of other substances are used. All are essential for the excellent performance of a modern European vehicle. Safety, eco-friendliness, and comfort requirements, together with physical, chemical and economic limitations, set the framework, in which our industry is continuously optimizing the efficient and responsible use of resources during production, in its products, and during recycling.

In this context the high level indicators discussed, such as GDP/DMC, ignore those safety and other requirements but lead to the situation that these targets would be best fulfilled by just importing most products rather than maintaining and strengthening the industrial base of Europe. Strong international competition automatically leads us to the most efficient use of resources in our products.

Resource prices are already very high and have triggered all reasonable efficiency measures. Unilaterally introducing resource taxes would unnecessarily add to already rocketing material prices AND would undermine the competitiveness of the European industry compared to imports which are not covered by such a tax regime.

*Setting resource and material efficiency targets would imply conflicts in these processes. As material use is a part-by-part, detailed engineering-optimization effort, it is not reasonable to assume that overall political targets can lead to better material efficiency.*

**Resource issues are not the result of scarcity or lack of efficiency but of dependability, speculation and capacities. In most cases, the issue is not linked with the general, long term availability of resources/reserves or a wasteful use of resources.**

Instead, supply of raw materials can become troublesome if there is only a limited number of players in the market, or if exports to the EU are limited for example due to export duties, export quotas, or other unreasonable restrictions. Also, supply of materials can become limited if the short term capability of the raw material industry to be reactive to a sudden rise in market demand is hindered. Thus, a better market understanding on both sides (automotive industry, raw material supply industry) is required to better match supply and demand sides.

In addition, financial speculations without real economic backgrounds are pushing commodity prices to previously unknown and unprecedented heights. These financial transactions are seriously affecting the real economy.

*The EU should use the leverage of FTA negotiations and other political dialogues with third countries to ensure a level playing field for the access to raw materials. In addition, financial speculations in commodity markets should be better controlled.*

### **Need for Definition of Resources, and 'Resource Efficiency'**

It is essential to develop a consensus among all stakeholders when considering which resources are to be addressed by the EC's initiatives, and what is meant by resource efficiency. This definition and related indicators will have to be different for other sectors, companies, Member States and regions. Often the scale needs to be global due to global resource markets. Thus unilateral EU political targets are not appropriate to ensure a positive impact.

Within the framework of the raw material initiative, 14 critical raw materials have been identified. These findings must be taken into account however; literally all materials are of importance to avoid disruptions in industry.

'Resource efficiency' should consider the nature and quantity of resources per produced unit of product. The nature of resources can be qualified by applicable and relevant environmental, economic, social and dependency issues (such as geographic availability). Each of these aspects can be evaluated. However, it is evident that target conflicts can exist between these dimensions and also within each of these dimensions (e.g. between different environmental aspects like CO<sub>2</sub> vs. NO<sub>x</sub> emissions, or along the life cycle of a product). A limitation of 'resource efficiency' to environmental aspects

which is measured as recycling rate only would revisit previous discussions and developments and it would ignore that the aforementioned conflicts do exist (e.g. between lightweighting measures and recycling).

*Such a concept of “resource efficiency” should therefore be developed and then applied on an international basis, in order to analyze and compare resource efficiency of different world regions. This can help to lead policy actions into right direction. We ask the Commission and all interested stakeholders to initiate a scientific discussion to further elaborate on an adequate concept of ‘resource efficiency’. The initiated European Resource Efficiency Platform is risking to miss the overall goal because the e working groups and sub-groups are not following the right measures to be effective.*

### **Recycling is important, but no guarantee for efficient use of raw materials.**

Vehicle recycling is important, as scrap cars are an important source for secondary raw materials. Recycling is therefore a normal business for our industry, and does not require additional administrative measures. As producers, car makers acknowledge their responsibility to deliver sustainable products from cradle-to-grave. In consequence, only a very limited amount of waste to landfill still comes from the automotive sector, although around 8 million vehicles reach the end of their lives each year.

Still, recycling is not *per se* an environmental target. It can be a tool – but is no guarantee – to improve the resource efficiency of certain raw materials. It has already been proven through EU-funded Life Cycle Assessment studies that an increase of recycling targets has no environmental benefit. In contrast, it is necessary to carefully evaluate whether enforced recycling goes at the expense of other environmental aspects, or even leads to a trade off with other resources. Already today, recycling of end-of-life vehicles is a profitable business; increasing resource prices will further increase profits of end-of-life operators and providing automatically additional incentives for them.

For recycled content it is obvious that for the relevant materials there is an intrinsic economic trigger to increase the content as far as available and technically feasible. This had been already the case in the past and will not change in future given the high virgin material prices. Limitation to the use of recycled content is not due to unwillingness of industry or other stakeholders but mainly due to availability (sustainable supply of secondary materials) and technical requirements. In addition, Life Cycle Assessment studies show that for example non-metallic recycled content is not always the environmentally better material solution. Thus it is not appropriate to mandate minimum recycled material targets for a material or product.

*As a conclusion, the regulations already established around the production and recycling industries do not need to be changed due to resource issues, however, it should be considered whether burdensome requirements can be avoided that might lead to increased recycling costs in Europe. In contrast, new recycling targets with related monitoring burdens or other new administrative burdens would be counter-productive for EU recycling.*

**EU institutions should support strategic research to find suitable substitutes for scarce raw materials.**

Vehicle manufacturers are using less conventional steel, incorporating a larger variety of steel, and more plastics, aluminium and other substances than before. This is a result of the increasing complexity of the product – mainly due to increasing resource efficiency (including weight reductions), higher safety and environmental standards and requirements but also customer demands (comfort, infotainment). In addition, the use of other materials has increased. The use for example of rare earths and lithium will further increase due to the larger use of advanced electronics, magnetic materials, new surface treatment systems and communications technologies, as well as due to the increasing use of alternative propulsion technologies.

Nonetheless in special cases the usage of some critical raw materials is from a technical performance point of view not necessary but nevertheless under consideration for extensive use. One example is the current discussion, driven by the heavy metal ban of the ELV Directive, on the substitution of Lead in solder with indium which would be contradictory to the outcome of the report of the Ad-hoc Working Group on defining critical raw materials.

*Shortage of key raw materials could be compensated for by strengthening strategic research activities to find substitutes. In this context ACEA welcomes the activities to set up an Innovation Partnership on Raw Materials and is interested in taking part in the partnership.*

**Additional unilateral and traditional type of regulations would restrict the global competitiveness of the European Automobile Industry. Policy coherence and focus on the real issues is needed.**

Several EC initiatives – such as the Raw Materials Initiative, the Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy, and the Thematic Strategy on Prevention and Recycling of Waste – have been launched, or are being implemented. We ask for a coherent policy approach to make sure that these initiatives are interlinked and suggest an integrated approach that combines efforts of all international stakeholders.

More than 60 directives and UN ECE regulations set the legal framework for the products of our industry, accompanied by other legislation covering production, recycling, and other aspects. The Commission's DG Environment has proposed a roadmap with concrete actions addressing resource efficiency in Europe. The road map is looking not only at industrial raw materials but also food, water, land etc. Unfortunately this road map is – if it comes to industrial raw materials in particular metals and minerals - not comprehensive enough by not addressing the root cause (missing free markets and speculation) but focussing besides the innovation aspect mainly on the old, traditional concepts:

- Extended producer responsibility (already in place for automotive industry since more than 10 years.)
- Eco-design (applied by automotive industry already before and beyond the ErPdirective)
- Recycled materials
- This is done already for economic reasons for metals and minerals anyway since many decades.
- Placing all relevant “Substances of Very High Concern on the REACH Candidate list It is difficult to understand the link the link to resource efficiency)
- Enforcement of green public procurement
- Shift taxation to resources (but resource prices are already too high).

Vehicle recycling is adequately regulated by the End-of-Life Vehicle Directive 2000/53/EC (ELV Directive), and market forces ensure the recycling of all metals, and other fractions. Due to the long lifetime of vehicles, recycling cannot alleviate short-term resource shortages and market disruptions. A study for EU Commission on the coherence of waste regulation showed that the ELV directive is already a stretch if it comes to for example recycling targets.

The ELV directive also covers the ban of hazardous substances in vehicles. Together with the EU chemicals regulation REACH (registration, evaluation, authorisation and restriction of chemicals), the substitution or fixing of maximum concentrations for hazardous substances in our products is sufficiently covered.

An efficient use of natural resources during the production phase is sufficiently covered by the recently adopted Industrial Emissions Directive 2010/75/EC, and its associated best available techniques (BAT) documents, respectively.

During the revision of the eco-design directive 2009/125/EC it became evident that all relevant environmental aspects of our products are already regulated. For this reason, means of transport for persons and goods were exempted from the scope of the eco-design directive.

Also the introduction of additional 'green taxes' would be unwelcome, since it will lead to market distortions. Market signals will provide the required behaviour incentives for resource efficiency targets, and in a more efficient way. Directive 2009/33/EC addresses the green public procurement of road transport vehicles.

*To conclude, the Commission resource efficiency road map is focussing on traditional aspects that are already covered for the automotive industry by existing regulation and have not avoided the current situation because it is not touching the root causes. . In the traditional area of recycling there is now reached a clear end to what regulators can reasonably regulate. Any additional regulation would not help with respect to resource efficiency and will lead to negative cumulative cost effects.*

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