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RE-SOURCING Virtual Conference November 2022
Reality Check on Responsible Sourcing
Trends, obstacles and opportunities

Collection of presentation slides from
expert input presentations at the conference
Day 1



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 869276



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RE-SOURCING Virtual Conference November 2022

Reality Check on Responsible Sourcing
Trends, obstacles and opportunities

Day 1 | Session 1 - Stress test for Responsible Sourcing

In-between our 2050 ambitions and economic resilience
in view of rising geopolitical tensions



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Input presentation

Perspectives from the RE-SOURCING Roadmap 2050 on Renewable Energy

Marie-Theres Kügerl

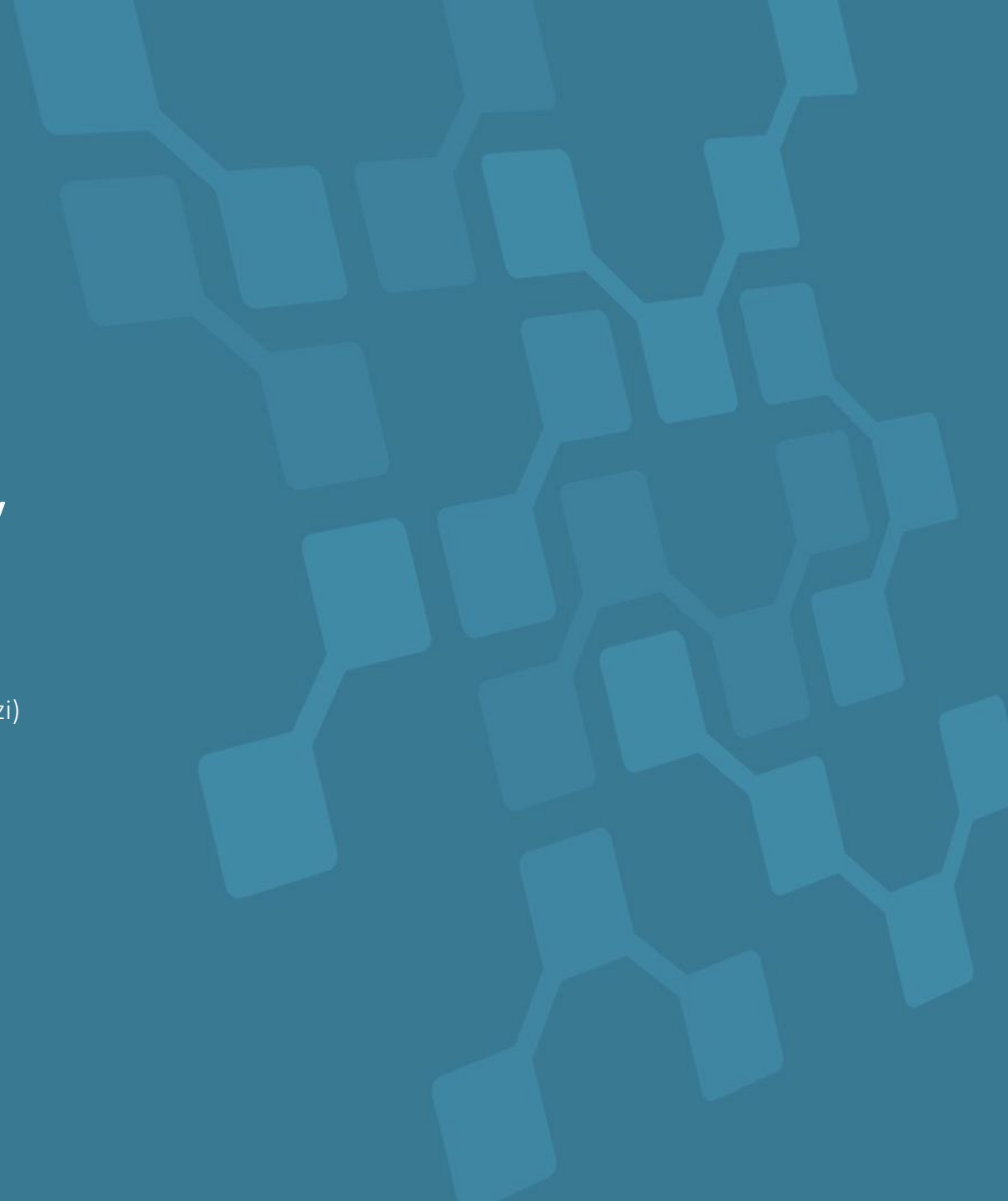
Montanuniversität Leoben



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“Sustainability is the Pathway
to Supply Chain Resilience.”

(A. Saush, S. Kaletzi)





Establish a common vision for responsible sourcing

➔ Roadmaps for responsible sourcing in 3 key EU industries





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Responsible Sourcing for the Green Transition

Roadmap 2050: Renewable Energy

Marie-Theres Kügerl, Montanuniversität
Leoben

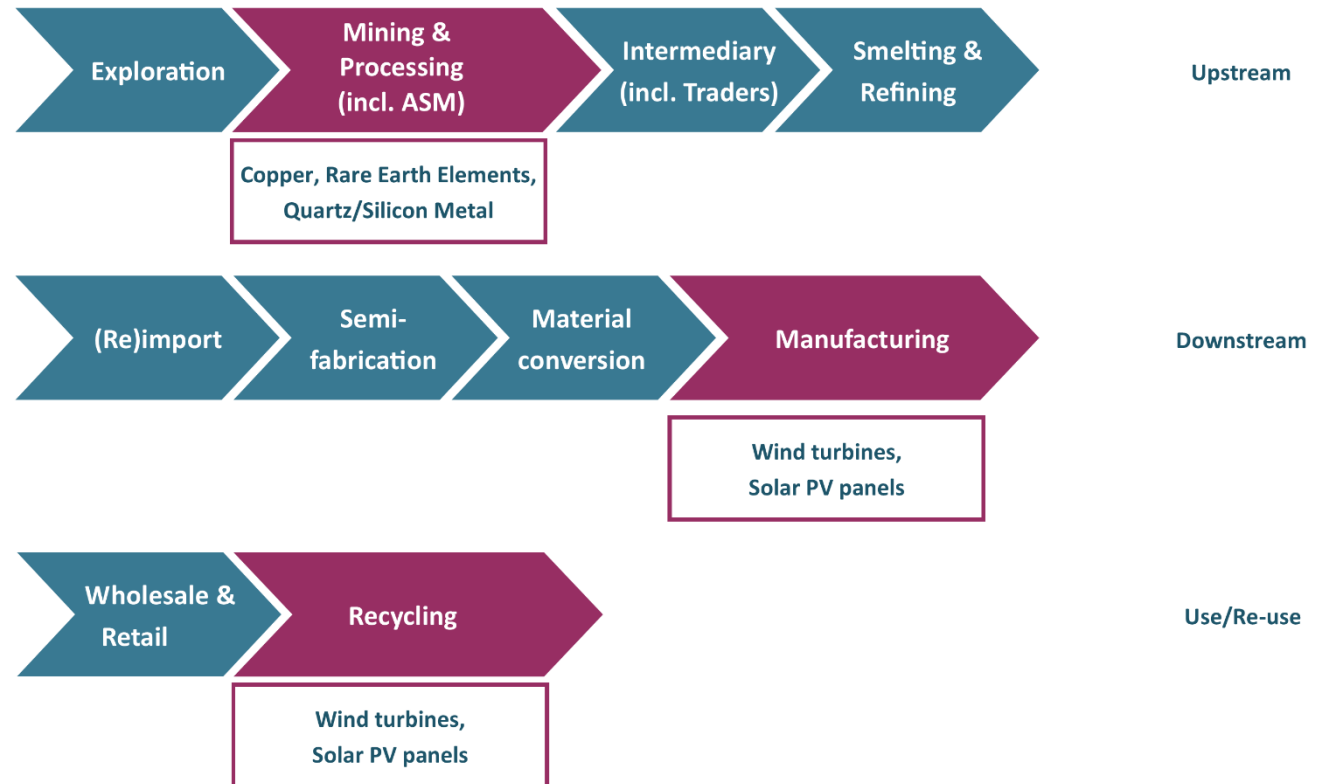


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How can responsible sourcing
contribute to supply
resilience?



Renewable Energy Sector Scope



VISION FOR THE RENEWABLE ENERGY SECTOR



RECOMMENDATIONS FOR
POLICY MAKERS, INDUSTRY, CIVIL SOCIETY

2030

2025

2050

2040

STATE
OF
PLAY



CIRCULAR ECONOMY & DECREASED RESOURCE CONSUMPTION

Take back Programmes for Solar PV & Wind Turbines



PARIS AGREEMENT & ENVIRONMENTAL SUSTAINABILITY

Net zero Emissions

Net positive Contribution to Biodiversity

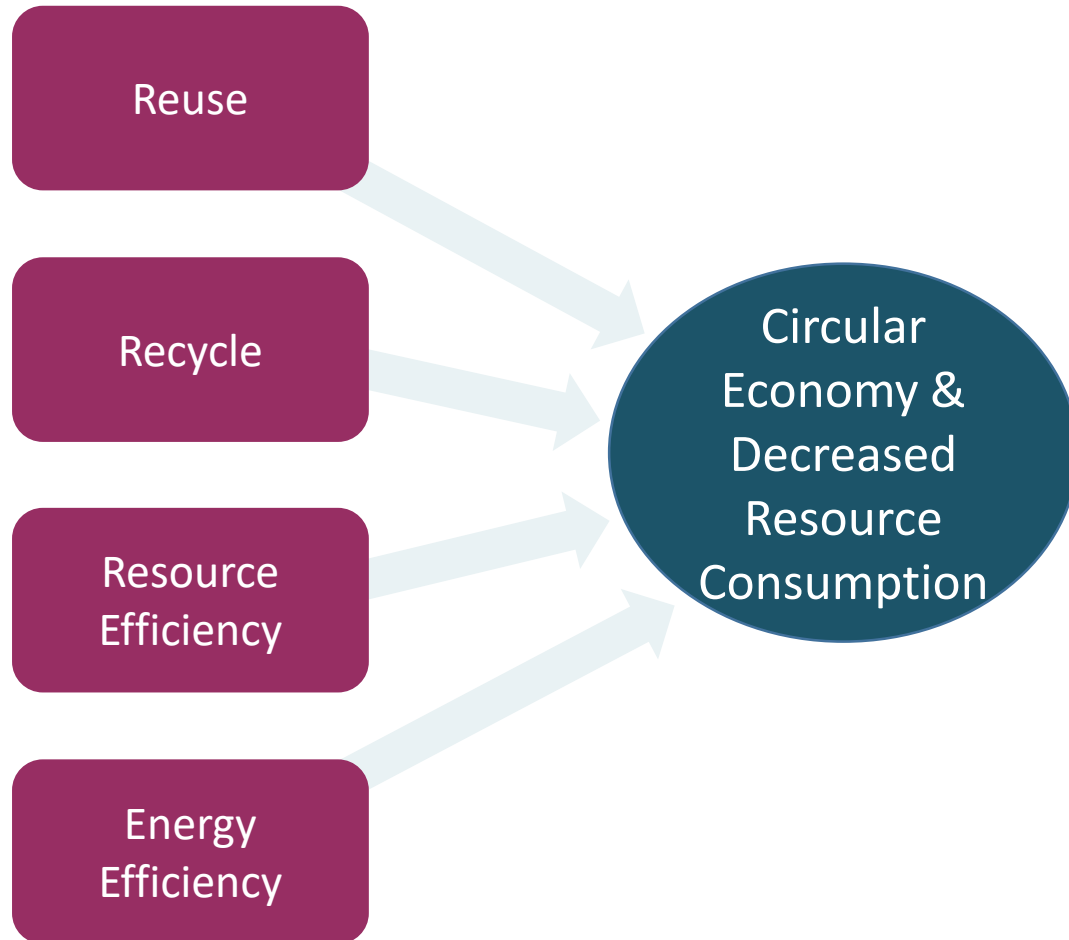
100% Renewable Energy



SOCIAL SUSTAINABILITY & RESPONSIBLE PRODUCTION

Local & regional Development,
Stakeholder Engagement





Create a market for secondary materials

Increase awareness of the impact of consumption patterns & possible alternatives

Introduce eco-design policies

Development of new technologies, advancing existing technologies to reduce resource and energy use

Improve collaboration between supply chain stages, research and academia

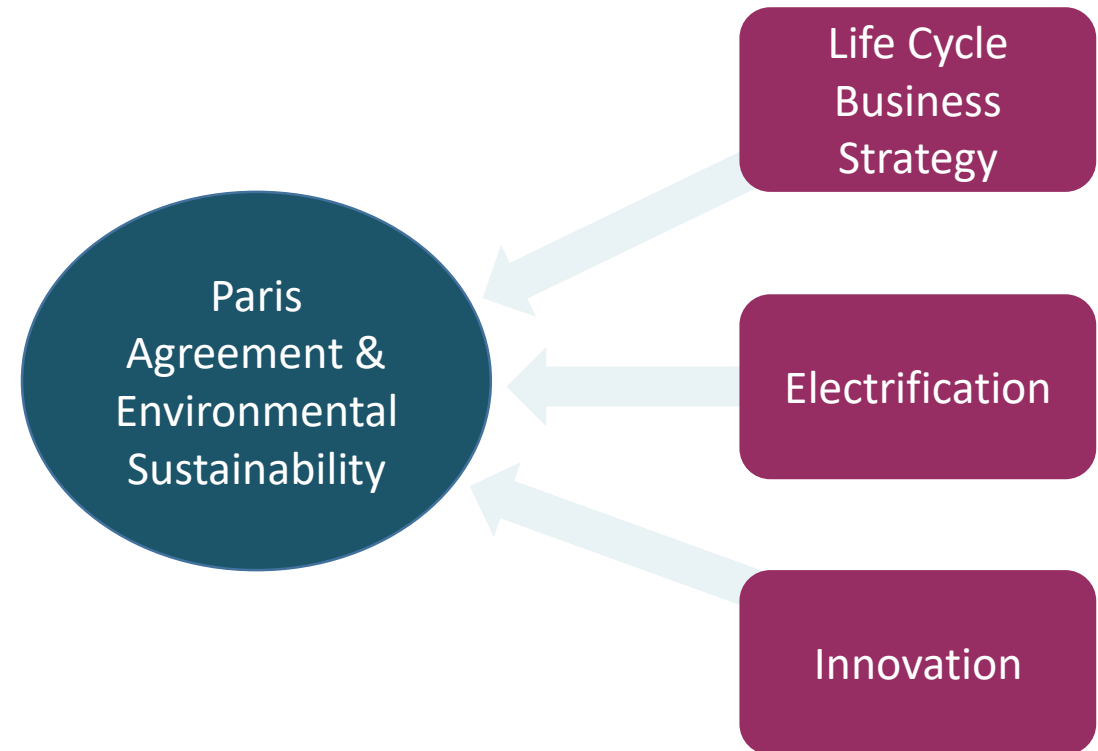


Take-back programmes:
Build and improve infrastructure
Revise and Harmonise regulation

Increase electrification and expand
renewable energy capacity

Support local development by
sharing infrastructure

(Social-) Life cycle assessments for
new technologies & products







Recommendations

Policy Makers

Improve transparency of mineral raw materials' supply chains

Enable responsible mining in Europe, no more 'burden-shifting'

Industry

Increase local procurement and support local development

Develop alternative suppliers

Industry

Develop supplier assessments through shared resources

Cooperation with suppliers to improve sustainability and trust

Policy Makers

Implement supply chain due diligence law, mandatory for all international players

Implement respective control mechanisms

Can we achieve our targets?





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THANK YOU
for your attention!



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Input presentation

Perspectives from the RE-SOURCING Roadmap 2050 on Mobility

Johannes Betz

Oeko-Institut



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A Multi-Stakeholder Approach

Roadmap for the Mobility Sector

Stress test for Responsible Sourcing

In-between our 2050 ambitions and economic resilience in view of rising geopolitical tensions

Stefanie Degreif & Dr. Johannes Betz

 **Öko-Institut e.V.**

Resources & Transport Division



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VISION FOR THE MOBILITY SECTOR



Lithium, cobalt, nickel and graphite (natural and synthetic)



RESPONSIBLE PROCUREMENT

- Transparency
- Local development
- Mining in EU



2030

2025

2050

2040

RECOMMENDATIONS FOR
POLICY MAKERS, INDUSTRY, CIVIL SOCIETY

STATE
OF
PLAY



CIRCULAR ECONOMY & DECREASED RESOURCE CONSUMPTION

- Reuse – Repurposing – Recycling
- Change mobility patterns (e. g. e-bus, bicycle)
- Increased efficiency



LEVEL PLAYING FIELD

- Formalisation of ASM (artisanal and small-scale mining)
- International cooperation
- Mandatory minimum standards

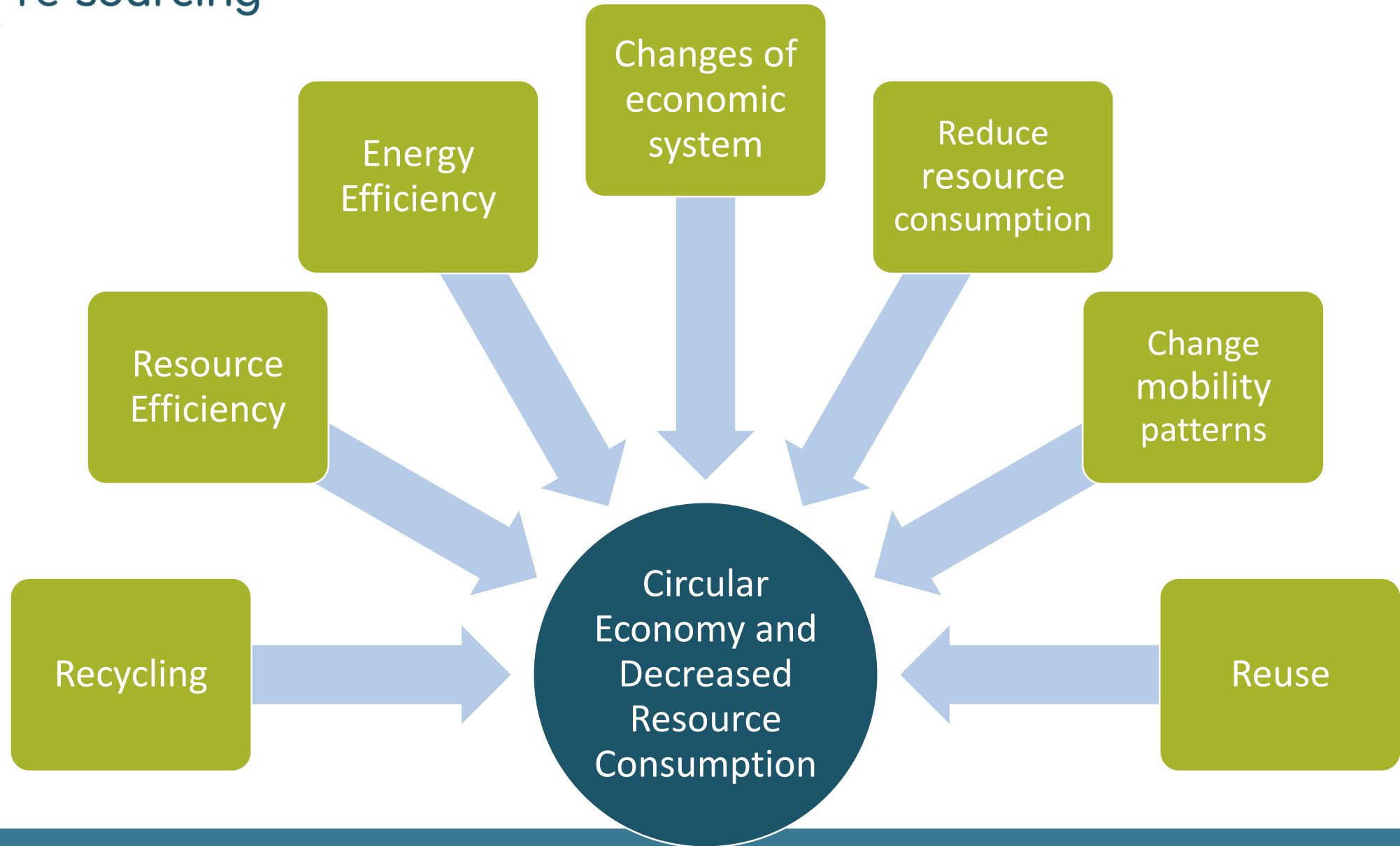




Target 1: Circular Economy and Decreased Resource Consumption

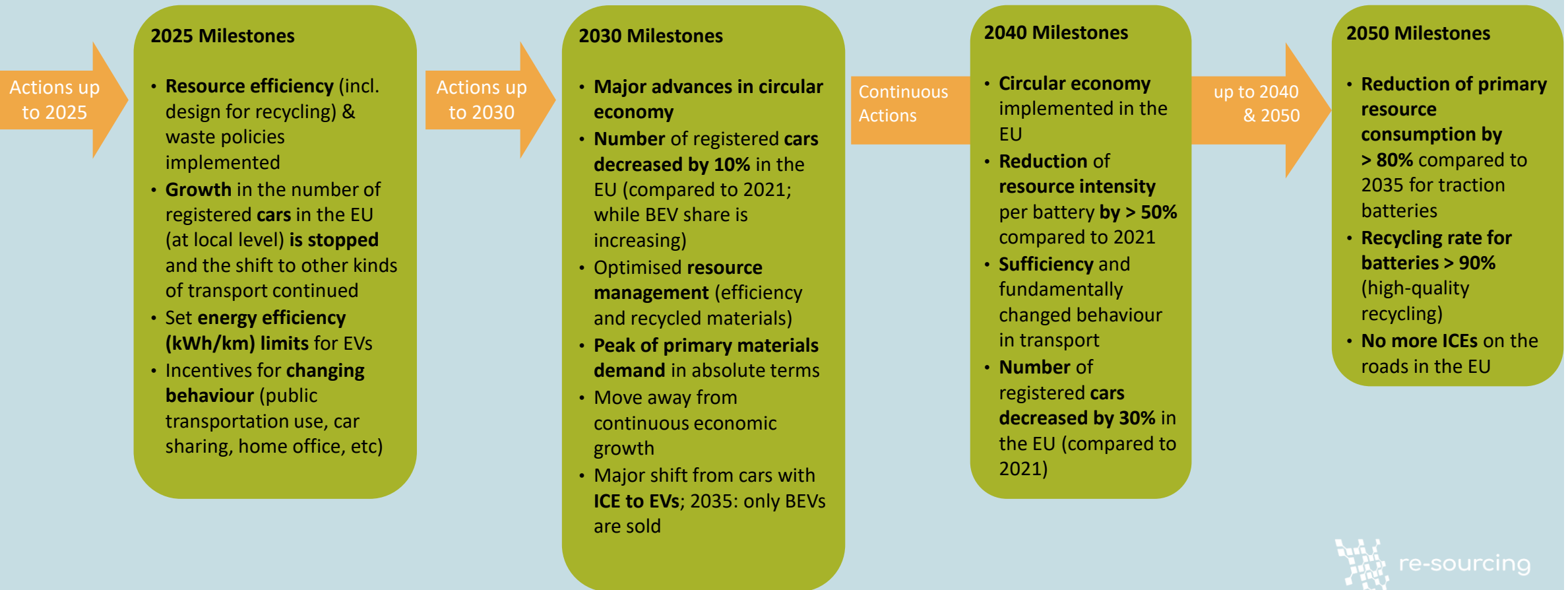
Circular Economy is a framework of three principles:

- Eliminate waste and pollution
- Keep products and materials in use
- Regenerate natural systems





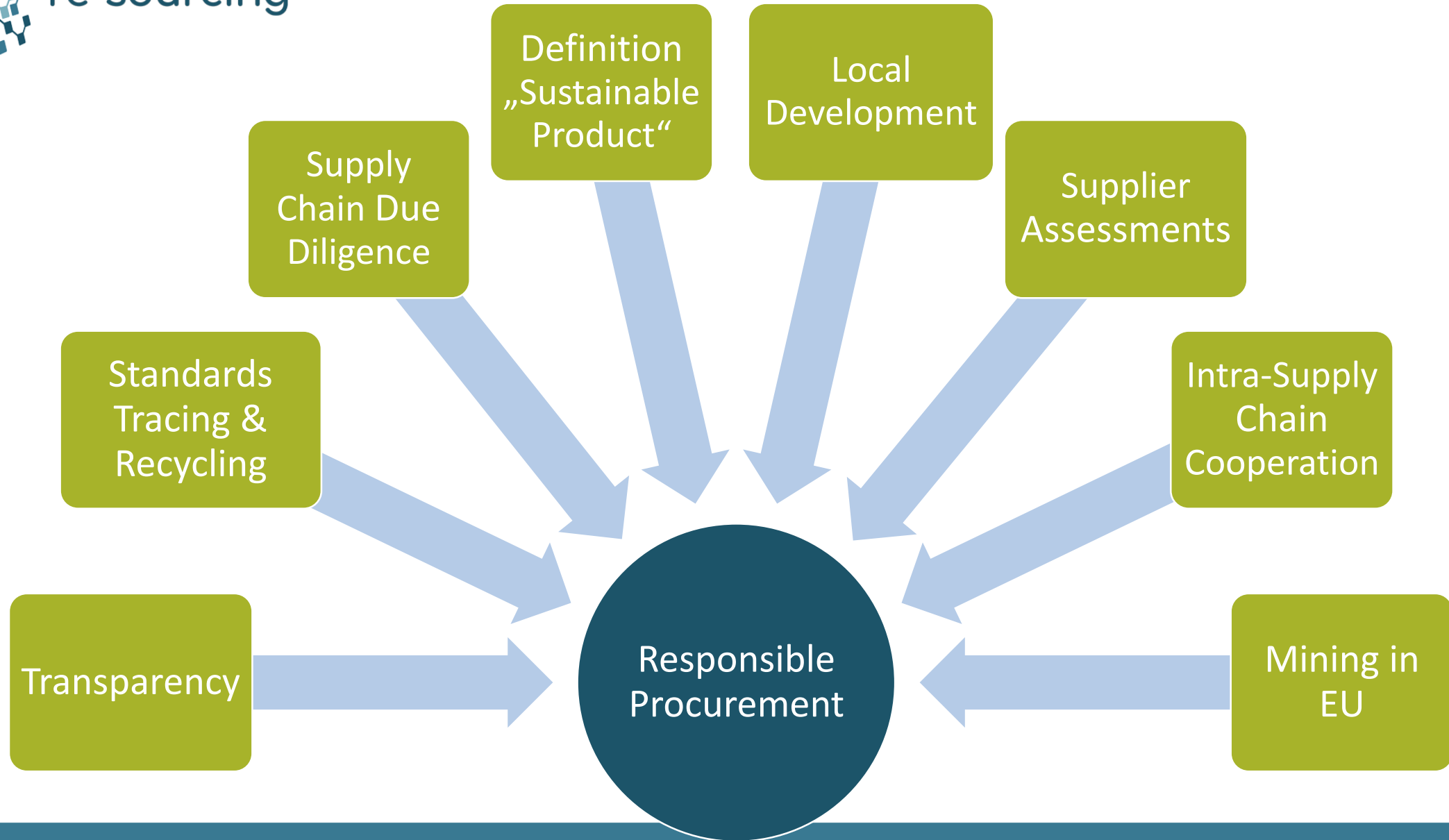
Circular Economy & Decreased Resource Consumption



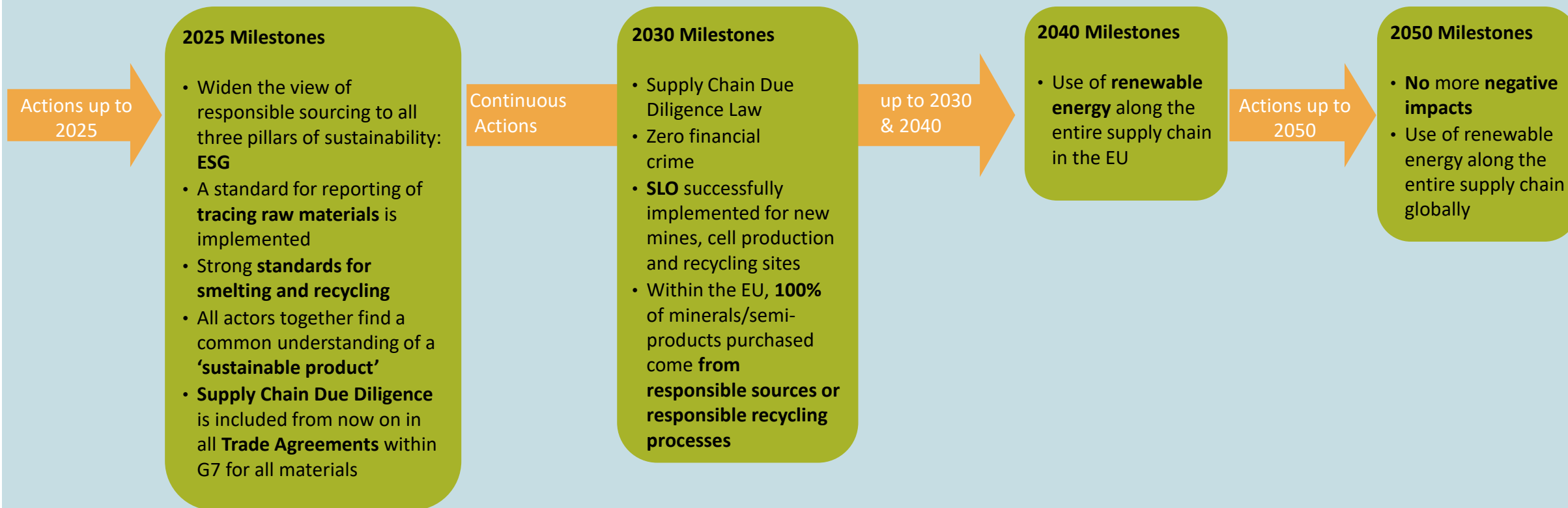


2

Target 2: Responsible Procurement



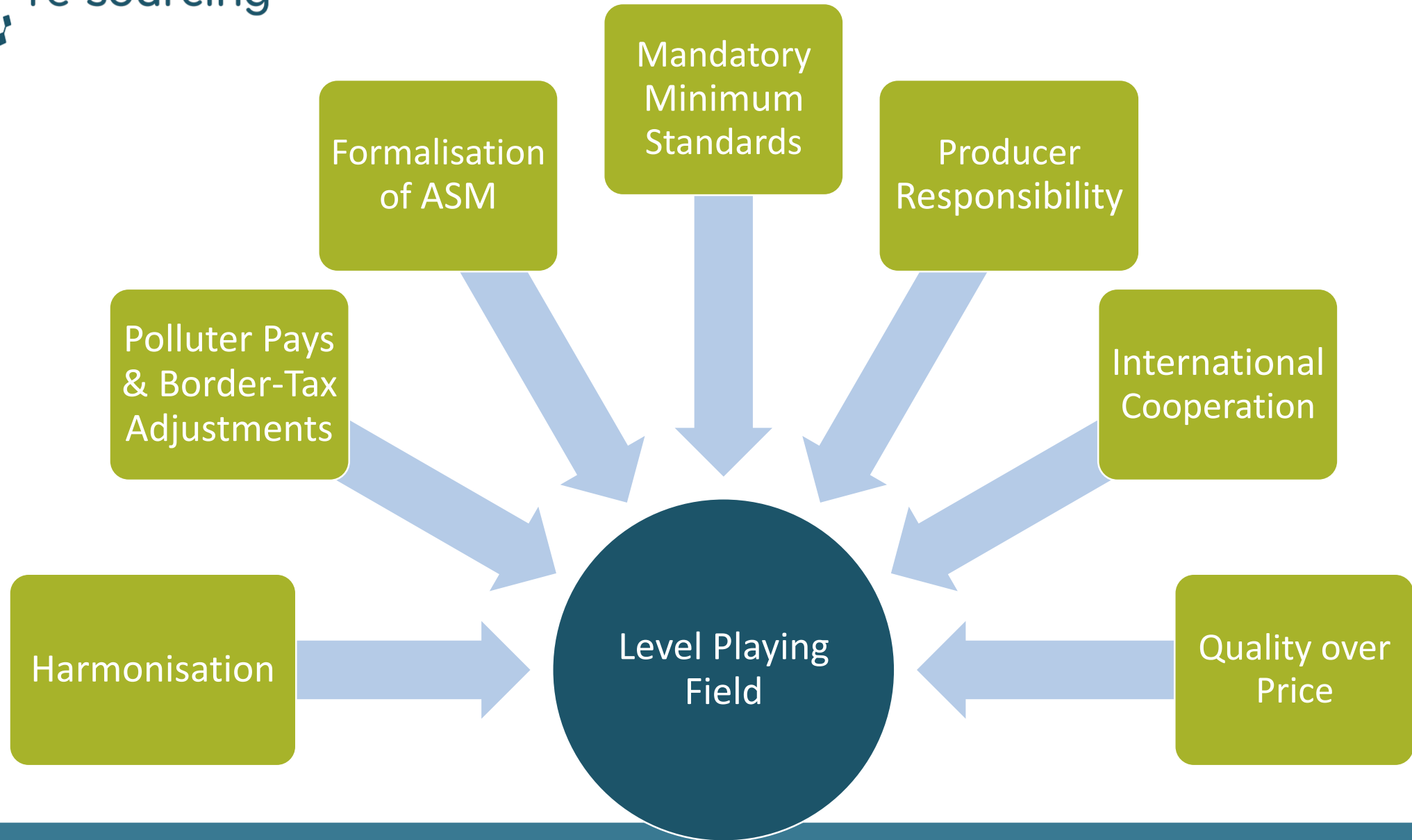
Responsible Procurement



A decorative background pattern consisting of a grid of squares connected by lines, creating a network-like structure. The pattern is located in the upper right corner of the slide.

3

Target 3: Level Playing Field





Level Playing Field

Actions up to
2030

2030 Milestones

- **'Polluter Pays' principle** and introduction of **Border-Tax Adjustments**
- Extended producer responsibility (**EPR**)
- **Harmonised** sustainability & reporting criteria
- Harmonised **EU mining** & production policies
- International **application of standards** for responsible mining
- European **common understanding** of working conditions, environmental topics and local development in Europe, and import requirements for responsibly sourced products
- Voice of civil society in producing countries in the permitting process as a mandatory step (**FPIC**)
- Formalisation of **ASM is supported** by all actors and the material is used

Continuous
Actions

2040 Milestones

- Achieving **sustainable conditions** in all pillars of sustainability in **EU and all imports** (raw materials, semi- / finished products)

up to 2040
& 2050

2050 Milestones

- **Global common understanding** and fulfilment of **sustainable production** methods
- **International level playing field** is achieved





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THANK YOU
for your attention!



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More information under:

<https://re-sourcing.eu/>

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Resources & Transport Division



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Reality Check on Responsible Sourcing
Trends, obstacles and opportunities

Day 1 | Session 2 - In Search of a Common Agenda

Aligning EU & Latin America Visions for Sustainability & Responsible Sourcing of Minerals



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Input presentation

Latin American perspective on responsible sourcing – What's responsible in countries with high raw materials extraction?

Claudia Peña

International EPD® System



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Responsible Sourcing

Critical Raw Material strategy from an emerging mining country perspective

Claudia A. Peña

Director of Sustainability ADDERE

Co-Director of the HUB EPD® LATAM

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November 8, 2022.

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THE INTERNATIONAL EPD® SYSTEM
HUB EPD LATAM



Claudia Peña

Director of Sustainability at ADDERE R&T

Member of the Technical Committee
International EPD System (IES)

Co-Director of the HUB EPD LATAM

IES Accredited Verifier

Member of the Steering Committee
Life Cycle Initiative (hosted by UNEP)



Questions

- What does responsible sourcing mean in Chile and in countries with high-raw materials extraction?
- What would you expect from trading partners (purchasers of raw materials) such as the EU when it comes to responsible sourcing, and social and environmental sustainability?

CRITICALITY

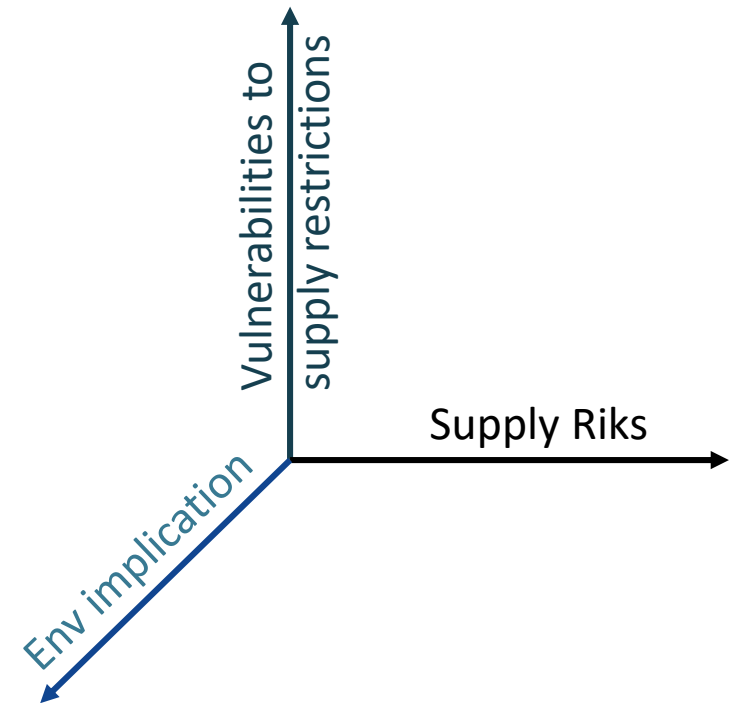
Imbalances between metal supply and demand, real or anticipated, have inspired the concept of metal criticality.

Sporadic shortages of metals and metalloids crucial to modern technology...

Metals of most concern tend to be those with three characteristics: they are available largely or entirely as byproducts, they are *used in small quantities* for highly specialized applications, and they possess no effective substitutes.^{1 (2015)}

Contributing factors that lead to extreme values include **high geopolitical concentration of primary production**, lack of available **suitable substitutes**, and *political instability*.

Based on 3D criticality space:



CRITICALITY

Critical Raw Materials (CRMs) are those raw materials that are economically and strategically **important for the European economy** but have a high-risk associated with their supply^{1. (2019)}

- 1) CRM: have a **significant economic importance** for key sectors in the European economy, such as consumer *electronics, environmental technologies, automotive*, aerospace, *defence, health* and *steel*;
- 2) CRMS: have a **high-supply risk** due to the very-high import dependence and high level of concentration of set critical raw materials in particular countries;
- 3) There is a **lack of (viable) substitutes**, due to the very unique and reliable properties of these materials for existing, as well as future applications.

Chile : What could be the CRM?

Chile, as a mining country and holder of many of the CRM that appear in the lists of EU and some developed countries (such USA, Australia and Canada), has a historic opportunity to become a relevant worldwide actor in the CRM market/global discussion.

- Chile, -in addition of having several of the CRM associated with **Cu minerals** (Mo, Ge, Ga, Sb, Pt group), as well as rare earths, **lithium** and **cobalt**-, has several of the attributes that are highlighted as a potential supplier of these resources.
- However, to make a strategic decision that evaluates the exploitation and commercialization of these resources, and at the same time considering the country's development and the future security of Chile, it is necessary to deepen the analysis of criticality and the geopolitics associated to those CRM.

Criticality for mining/emerging economies

How is the criticality of raw materials understood in emerging mining countries: *low-income countries with high-raw materials extraction?*

It could mean challenging the understanding of criticality coming from the developed countries as it might not reflect what should be considered 'criticality' in Chile and other mining countries.

Selection of CRM- some of the variables to consider for the criticality index:

- Social implications
- Environmental implications
- Economic and Strategic implications
- Negotiation power (offset programs, new ways or scope for collaboration and/or alliances)
- New definition of mining country
- New value chains
- New mining prospection and metallurgical processes
- **Selling CRM now (e.g. Li) vrs. Preserve them** (perhaps selling them in the future)

Li is key to
overwhelming
EV demand, but
supply is
limited



This market transformation is expected to increase demand for critical minerals **such as lithium and graphite** used in EV batteries. Today's announcements demonstrate how the United States is poised to meet this challenge while growing our economy and creating high-quality union jobs in the battery supply chain

INITIATIVES (CE): secondary critical materials

The urgent need to create a global framework to support a circular economy (CE) for critical materials (2022)³

The Workshop facilitated informed and helpful discussions on identifying how **Canada** and the **UK** can co-operate to support the CE for critical materials and prepare for future demands.

A series of panels addressed a wide range of opportunities, challenges, and potential collaborative approaches related to:

- The potential market for secondary critical minerals, including what a robust secondary market could look like on a global stage;
- **Battery, electronics**, rare earth **magnet** and *minor metals recycling* (product focused);
- Critical minerals extraction from secondary and recycled sources;
- What industry requires going forward
 - regulations, permitting, producer responsibility,
 - investment and risk mitigation, **international standards**;
- Waste collection, research and development, investment, and processing, and what an alliance of like-minded governments could do to support such sectors.

**Dissipation in the
Technosphere ??**
(tiny amount of material
used)

Criticality and Circular Economy (CE)

Material criticality has attracted global attention due to the increasing material demand and supply risks; CE is considered a tool for material productivity⁴

- CE is a potential solution to global challenges such as resource availability, end-of-waste state.
- But, CE is mainly implemented from EoL perspective:⁵

In general, there are 3 major obstacles for the implementation of CE in material criticality mitigation.

- such analysis requires a **novel analytical framework** to clarify and integrate various CE-related options in material criticality mitigation.
- the **impact of various CE related options** should be assessed and quantified, in which a dynamic analysis of critical material flows and stocks along its life cycle should be performed.
- the impact of the **EoL**-(recycling in particular) and **manufacturing-oriented strategies** on the reduction of material demand and waste disposal should be compared, in which further analysis of dynamics behind those paradigms is needed.



- **ISO TC 323** : The **SDG** and **Life Cycle Thinking** are considered overarching principles for measuring and assessing circularity.



TC 323



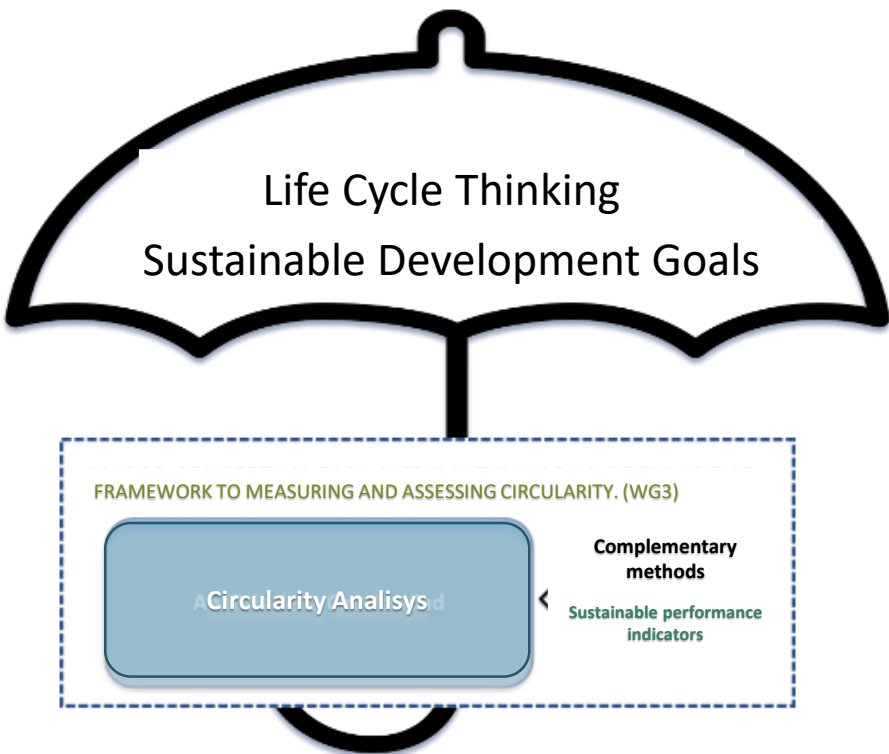
LC INITIATIVE
(hosted by UNEP)

FRAMEWORK TO MEASURING AND ASSESSING CIRCULARITY. (WG3)

Circularity Analysis



**Complementary
methods**
Sustainable
performance indicators



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Life Cycle Assessment (LCA)



The International Journal of Life Cycle Assessment (2021) 26:215–220
<https://doi.org/10.1007/s11367-020-01856-z>

LIFE CYCLE SUSTAINABILITY ASSESSMENT

Using life cycle assessment to achieve a circular economy

Claudia Peña¹ · Bárbara Civit² · Alejandro Gallego-Schmid³ · Angela Druckman⁴ · Armando Calvo⁵ · Bo Weidema⁶ · Eric Mieras⁷ · Feng Wang⁸ · Jim Fava⁹ · Llorenç Milà i Canals⁸ · Mauro Cordella¹⁰ · Sonia Valdivia¹² · Sophie Fallaha¹³ · Wladimir Motta¹⁴

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Abstract

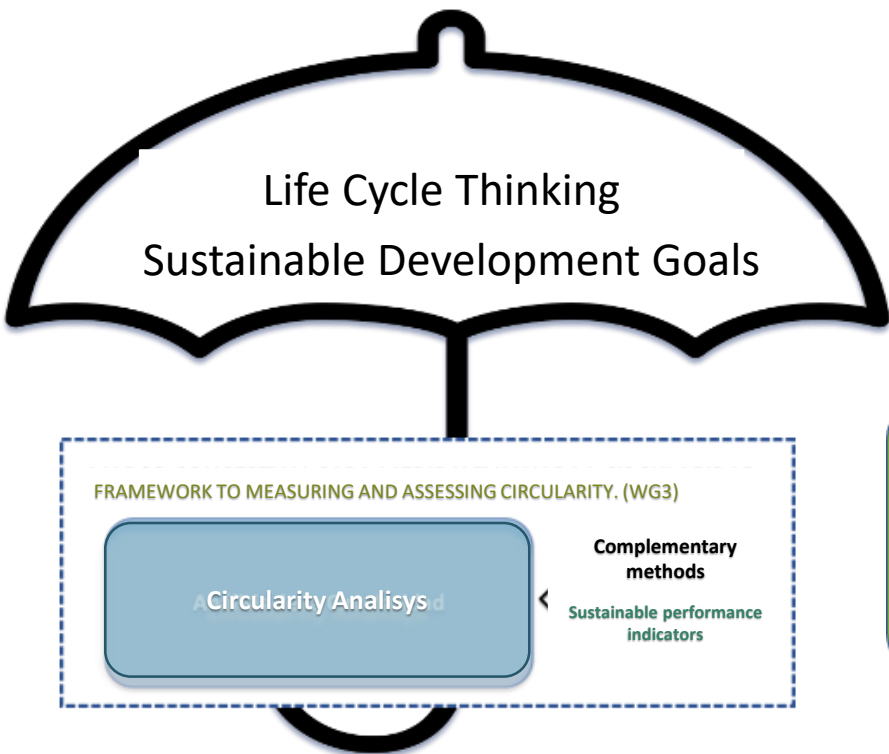
The current global interest in circular economy (CE) opens an opportunity to make society's consumption patterns more resource efficient and sustainable. However, such growing interest calls for precautionary measures. There is no harmonised method to assess whether a specific CE strategy contributes towards sustainable consumption. Life cycle assessment (LCA) is very well suited to assess the sustainability impacts of CE strategies. The Life Cycle Initiative (hosted by UNEP) provides an LCA perspective on the development, adoption and implementation of CE, while pointing out strengths and challenges in LCA as an assessment methodology for CE strategies.

Keywords Circular economy · Circularity · Life cycle assessment · Complementary methodologies

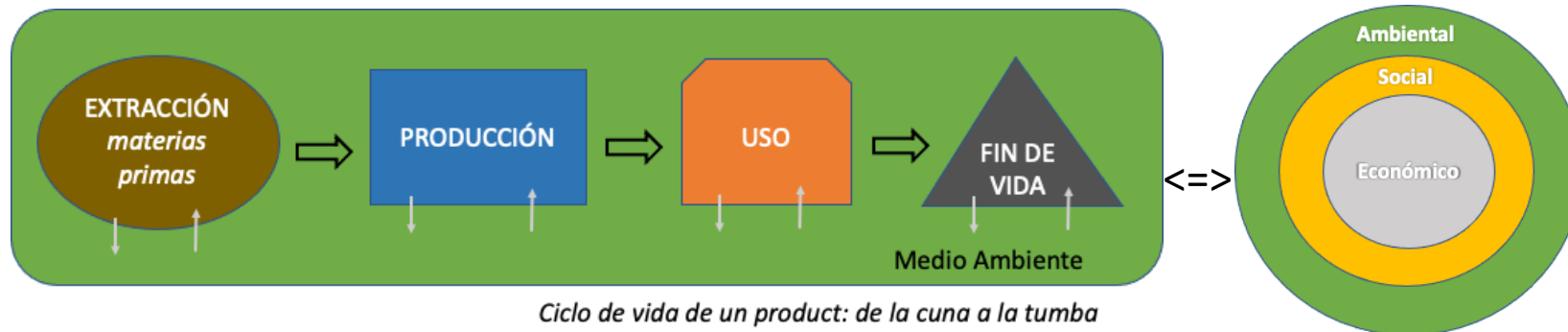
❖ Sustainable Consumption & Production (SCP)

❖ Suppliers involvement

❖ Continuous improvement



Life Cycle Assessment (LCA)



10P (LC Initiative 2021)

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- Understand AoP in terms of the mechanisms associated with impact pathway and their relationship with inventories
- Align to ISO14040-44
- Consider the stakeholder perspective



➤ LCT methodologies. (LCSA): LCA + S-LCA + LCC

EPD & Responsible Sourcing

Avoiding Greenwashing: The rise of EPDs and Responsible Sourcing

Published on October 30, 2020



For any project, EPDs and Responsible Sourcing, with whole life project level assessment methods, can demonstrate sustainable design.



Andrew Minson

Director Concrete and Sustainable Construction at GCCA – Global Cement and Concrete Association

19 articles

+ Follow

Greenwashing: the process of conveying a false impression or providing misleading information about how a company's products are more environmentally sound. Investopedia.com

Environmental Product Declarations (EPDs)

and **Responsible Sourcing** are used by designers, specifiers contractors/builders, and clients to avoid greenwashing and be sustainable.


“They are used in specification and procurement of materials to make a positive difference to the sustainability outcome of a project. Through use of them there is a positive feedback to the construction materials sector in terms of encouragement to produce EPDs and obtain responsible sourcing certification.

*If you work where EPDs and responsible sourcing certification are available then specify them, learn what good looks like and use them **to compare products of functional equivalence.**”*

Application of Standards



ISO 14025 Environmental Declarations and Type III Ecolabels (EPD)



Environmental
product declaration
according to ISO 14025

Electricity generated in photovoltaic power plant
El Romero Solar 196 MW

Version: 3.0
Publication date: 2017-12-12
Review date: 2021-03-31
Validity date: 2026-03-31
Registration number: 5-11-01081
Programme: The International EPD® System, www.environdec.com
Programme operator: EPD International AB
CPC 171 - Electrical energy
ISO 200708 UN CPC 171 & 173 - Version 6.1 - Electricity, steam and hot water generation and distribution

EPD®

acciona

Regarding new buildings, it's essential for them to be conceived with circularity in mind, right from the outset at the design phase, with the objective of maximizing the end-of-life value recovery. From this perspective, some of the key aspects to consider are:

- Choice of materials: recycled, bio-material, free from toxic substances, or with environmental product declarations (EPD - Environmental Product Declaration; Cradle to Cradle; LCA - Life Cycle Assessment);
- Flexibility of spaces to increase their durability and render them easy to adapt to different types of use;
- Design and build with the building's entire life cycle at the forefront of all considerations, evaluating all life stages, including decommissioning;
- Use models for the structured collection of information on buildings (Building Information Models), thus considering them as banks of materials



Enel Position Paper on Circular Economy, 2020

EPD/PCR: UNSD CPC Code

The CPC code is based on the physical characteristics of goods or, on the nature of the services rendered.

Each type of good or service is defined in such a way that it is linked to a single activity as defined in the ISIC^(*).

The CPC covers products that are an output of economic activities, including transportable goods, non-transportable goods and services.

The classification structure comprises:

- **Sections** – one digit code;
- **Divisions** – two-digit code;
- **Groups** – three-digit code;
- **Classes** – four-digit code;
- **Subclasses** – five-digit code.

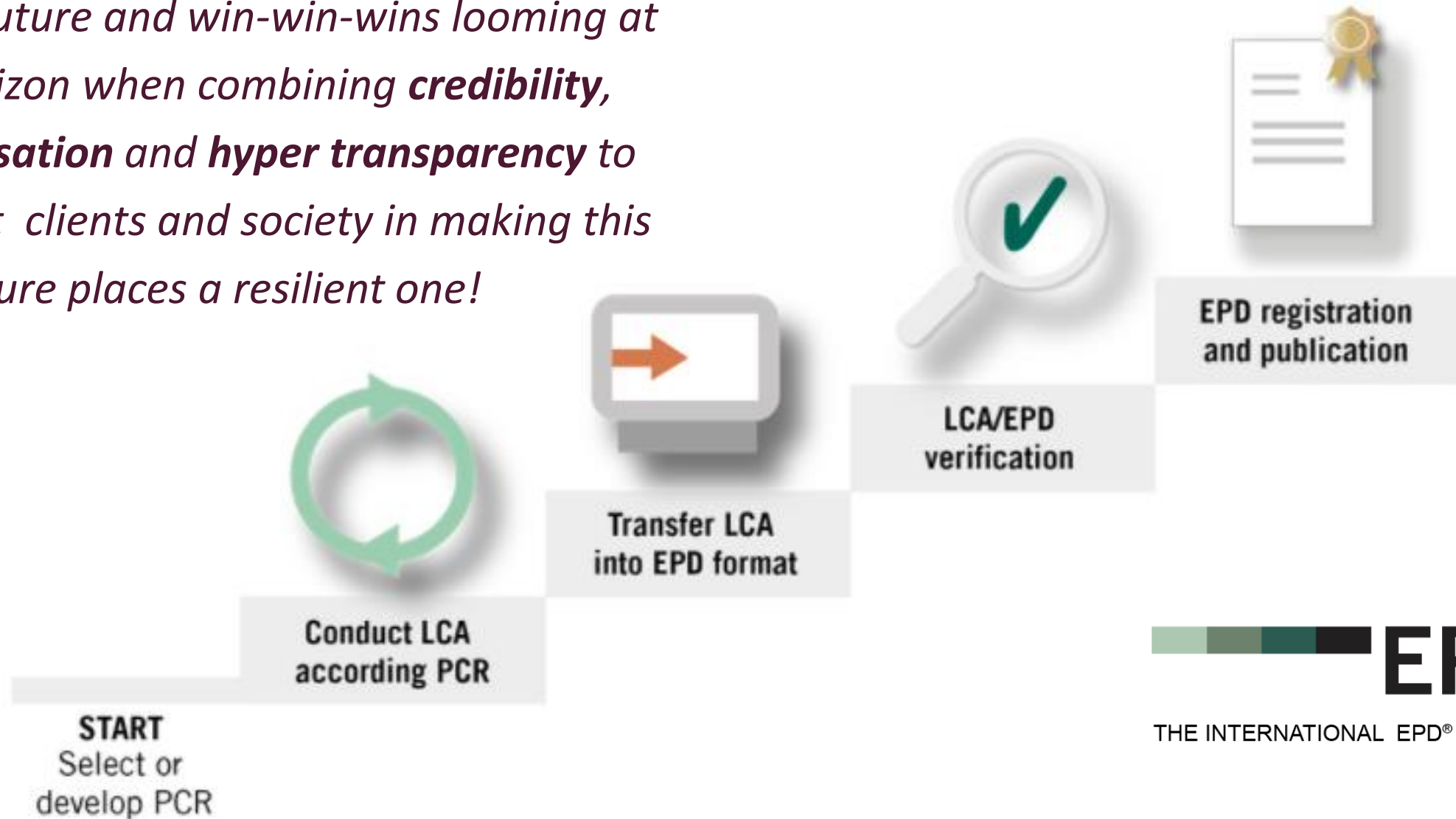
[https://unstats.un.org/unsd/classifications/Econ/Download/In%20Text/CPCv2.1_complete\(PDF\)_English.pdf](https://unstats.un.org/unsd/classifications/Econ/Download/In%20Text/CPCv2.1_complete(PDF)_English.pdf)

Section	Division		Groups	Classes	Subclasses
0		Agriculture, forestry and fishery products			
	01	Products of agriculture, horticulture and market gardening	9	53	157
	02	Live animals and animal products (excluding meat)	5	18	50
	03	Forestry and logging products	2	8	11
	04	Fish and other fishing products	6	31	62
1		Ores and minerals; electricity, gas and water			
	11	Coal and peat	1	5	5
	12	Crude petroleum and natural gas	1	3	3
	13	Uranium and thorium ores and concentrates	1	1	1
	14	Metal ores	2	6	6
	15	Stone, sand and clay	4	8	8
	16	Other minerals	3	8	8
	17	Electricity, town gas, steam and hot water	4	4	4
	18	Natural water	1	1	1
2		Food products, beverages and tobacco; textiles, apparel and leather products			
	21	Meat, fish, fruits, vegetables, oils and fats	9	44	161
	22	Dairy products and egg products	3	12	22
	23	Grain mill products, starches and starch products; other food products	8	32	54
	24	Beverages	4	9	11
	25	Tobacco products	1	3	3
	26	Yarn and thread; woven and tufted textile fabrics	8	51	53
	27	Textile articles other than apparel	4	18	29
	28	Knitted or crocheted fabrics; wearing apparel	3	11	30
	29	Leather and leather products; footwear	6	17	17
3		Other transportable goods, except metal products, machinery and equipment			
	31	Products of wood, cork, straw and plaiting materials	8	18	34
	32	Pulp, paper and paper products; printed matter and related articles	8	25	51
	33	Coke oven products; refined petroleum products; nuclear fuel	7	20	23
	34	Basic chemicals	8	41	68
	35	Other chemical products; man-made fibres	5	29	35
	36	Rubber and plastics products	5	24	29
	37	Glass and glass products and other non-metallic products n.e.c.	7	34	51
	38	Furniture; other transportable goods n.e.c.	8	41	64
	39	Wastes or scraps	4	31	51
4		Metal products, machinery and equipment			
	41	Basic metals	6	25	90
	42	Fabricated metal products, except machinery and	4	15	36

^(*)ISIC : the International Standard Industrial Classification of All Economic Activities, which is the international reference classification of productive activities (UN 1948).

EPD Creation

*Great future and win-win-wins looming at the horizon when combining **credibility**, **digitalisation** and **hyper transparency** to support clients and society in making this and future places a resilient one!*



Chile: attributes

- Country with mining tradition
- Chile's solid and reliable track record as a supplier of mining products
- Research and development capacity in mining and metallurgy
- Reserve and accumulation of raw materials considered critical by those countries that develop green technologies.
- Consolidated State institutions, dedicated to mining, energy, sustainability and research and development that can be used to promote innovation, mining and refining of CRM, and bring them to the required level of sophistication and production for use and commercialization: *which can make Chile a key player worldwide*
- Knowledge of the international mining sector and the metals market; *but not the market for some of the scarce CRM such as Ga, Ge*

Chile: discussion list of CRM

The Critical Minerals study of the Ministry of Mining (2022) proposes a list of CRM for Chile.

However, that list was made mostly based on the *commercialization* potential of these CRM.

Agreeing that the commercialization of said CRM is promising and very attractive, but it cannot be taken as the only or most important criteria for selection of the material to be considered critical for Chile..

Taking only that perspective means money today and hunger and national insecurity for tomorrow.

- Reserves allows us to have access and control of our CRM:
 - ❖ possibilities for using them in high tech development,
 - ❖ negotiations capacity/collaboration: offset programs; eco- innovation projects;
- Become a key actor in the *future* market:
 - ❖ play a relevant role to play when the CRM become scarce and at the same time increasingly necessary for the development of green technologies.
 - ❖ In line with sustainability trends (economical, social and environmental dimensions) for a better World: considering globalization.

Chile: Discussion list of CRM

Material	Mineral resources	Uses
Cu	Cu ore	conduction of heat and electricity, plumbing and roofing, design and architecture, anti-microbial properties
Mo	Cu ore	steel alloys to increase strength, hardness, electrical conductivity and resistance to corrosion and wear; molybdenum disulfide is used as lubricate for engines and others.
Li	Deposits	rechargeable batteries for mobile phones, laptops, digital cameras and electric vehicles; also in medicine
PGM	PGM in Cu concentrates	high heat and corrosion resistances, unique catalytic properties (widely in many industrial fields, such as automobile exhaust catalysts)
Ge	Cu ore	In electronic devices, germanium is used as a component of alloys and in phosphors for fluorescent lamps; fibre-optic systems, infrared optics, solar cell applications, and light-emitting diodes (LEDs), and wide range of camera lenses
Ga	Ga Associated with Cu minerals	blu-ray technology, electronics (mobile phones, microwaves), blue and green LEDs and pressure sensors for touch switches; low-melting alloys; recording very high temperatures.
Te	Anodic slimes content	cadmium telluride (CdTe) for thin-film solar cells; bismuth telluride (BiTe), which is used in thermoelectric devices for cooling and energy generation
Re	Mo concentrates	steel superalloys and catalysis for oil refinery; used to a lesser extent in medical and biotechnological applications.
Co	Deposits	lithium-ion batteries, and in the manufacture of magnetic, wear-resistant and high-strength alloys (alloyed with Al and Ni make particularly powerful magnets), catalyst, chemical industry, high-speed steels
Heavy Rare Earth (1.7 Mt/y)	tailings and clay deposits	super magnets, motors, metal alloys, electronics , batteries, catalytic converters, petroleum refining, medical imaging, and many industrial applications
Sb (Chuquicamata: 40 t/y)	Cu ore	in lead-acid batteries and lead alloys; in solders and other alloys. SbO3 is used in flame-retardant formulations. catalysts for the production of polyethylene terephthalate polymers,, coatings, and electronics.

Responsible sourcing, means...

- **Life Cycle Sustainability Thinking, SDG**
 - *As it is not indifferent how these materials are extracted and produced".*
- Application of **world standards** (ISO); be in line with **global trends in sustainability**
 - LCA-based methodologies to analyze strategies and potential solutions. (ISO 14040-44)
 - CE programs complemented with LCA-based methodologies (ISO TC 323)
 - **EPD to hyper-transparently communicate**, avoid green-sustainable washing and compare and select products, materials and suppliers. (ISO 14025)
 - Sustainable Finance indicators (UNEP FI)
- Criticality Assessment
 - Geopolitical analysis
 - Commercial aspects
 - Amount, type, and distribution of our reserves
- Offset programs related to green technology
- Consider global trends in sustainability

Thank you for your attention!

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re-sourcing



Input presentation

European perspective on responsible sourcing –
What's expected of trading partners?

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European perspective on responsible sourcing: what's expected of trading partners

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*European Commission,
DG TRADE.E.3.*

I. Context: Russia's invasion of Ukraine

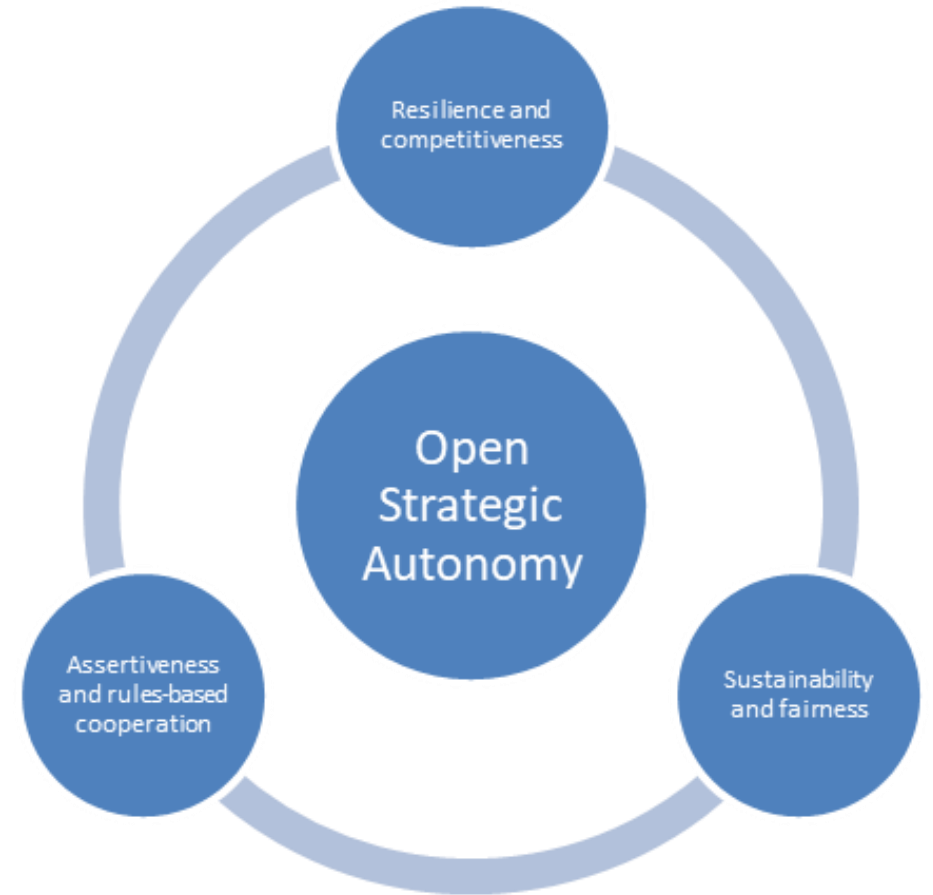
- Economic scars left by the **pandemic** and increasing tensions with **China**
- Growing realization of the issue of reliable, secure and sustainable **access to critical raw materials**
- Economic dimension
 - Severe disruption of trade -> **sanctions/counter-sanctions** leading to the decoupling of Russia from the global economy
 - Import dependencies and lost market opportunities -> how to replace?
- Geopolitical dimension
 - Latest example of **weaponization of trade** (and energy)
 - May accelerate formation of **economic blocs** and tendency toward closer relations among like-minded partners
 - Need to strengthen relationships in Neighbourhood, Africa, **Latin America**, Asia

II. Three objectives of EU trade policy

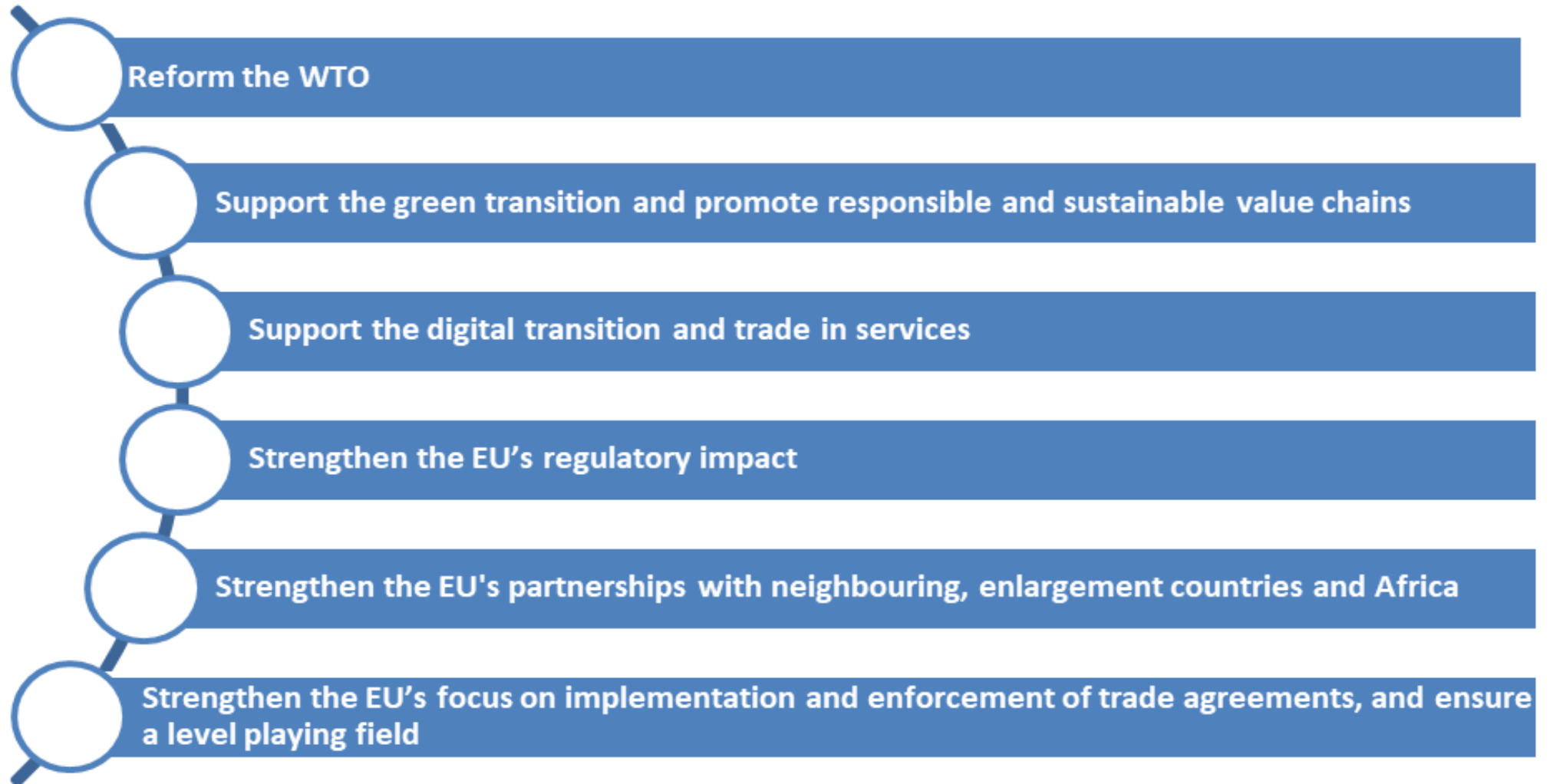
1. Supporting the recovery and fundamental transformation of the EU economy in a way that is consistent with our **green** and **digital** ambitions.
2. Shaping global rules for a **more sustainable and fair globalisation**.
3. Increasing our capacity to **pursue our interests** and enforce our rights, autonomously if necessary.

Open Strategic Autonomy

- Both a model *and* a mindset.
- Defined as maximising the EU's ability to make its own choices and shape the world around it through leadership and engagement, reflecting its strategic interests and values.
- Strength through openness.
- Committed to rules-based multilateralism.
- Act cooperatively where we can, but autonomously where we must.



Six critical areas identified for the medium term



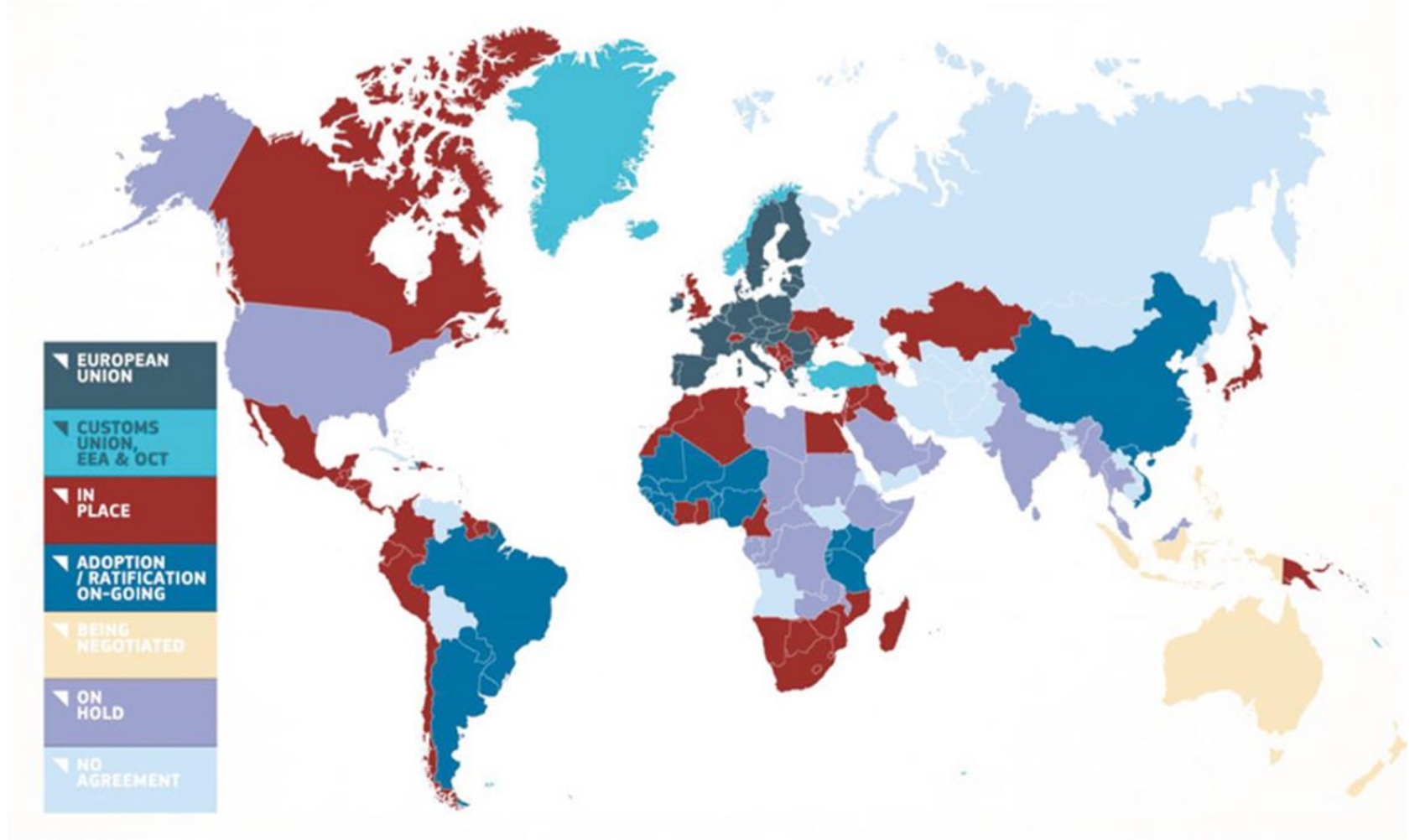
The Greenest EU Trade Policy ever

- Leveraging trade policy by actions at all levels
- **Multilaterally** - bring forward climate and sustainability WTO initiatives
- **Bilaterally:**
 - Seek a commitment on climate neutrality among G20 Members
 - FTAs as platforms for cooperation on climate, biodiversity, circular economy, pollution, sustainable food systems
 - Paris Agreement as an essential element of our FTAs
- **Autonomously:**
 - WTO-compliant Carbon Border Adjustment Mechanism (CBAM)
 - Mandatory due diligence, forced labour & deforestation legislation



III. EU trade agreements

- The EU is the biggest trading partner for 74 countries in the world – more than China or the US
- World's biggest network of trade agreements: 46 agreements with 78 countries
- Agreements at various stages:
 - Negotiations concluded
 - Negotiations underway
 - Potential new or relaunched negotiations (on the basis of new approaches)?



Increase attention on energy and raw materials in FTAs

- Our most recent agreements (UK, Chile, Mexico, New Zealand) include specific commitments **on energy and raw materials (ERM) going beyond the standard obligations in trade in goods chapter**
 - complements investment provisions on licensing
 - Aims to ensure that investments are **sustainable** (environmental impact assessment)
 - Contains provisions on import/export monopolies, dual pricing
 - Cooperation with third countries on raw materials related issues including international and regulatory cooperation
 - Often complemented with cooperation on value chains or **responsible mining practices**.

Trade and sustainable development chapter in the Mercosur agreement 1/3

- [Agreement **in principle** announced on 28 June 2019]
- The **Trade and Sustainable Development (TSD) chapter** lives up to the highest standards for chapters in other modern agreements such as those with Mexico or Japan.
- The basis is the premise that increased trade should not come at the expense of the environment or labour conditions
- The Parties agree that they should **not lower labour or environmental standards** in order to attract trade and investment.
- They also agree that the trade agreement should not constrain their right to regulate on environmental or labour matters, including in situations where scientific information is not conclusive.

Trade and sustainable development chapter in the Mercosur agreement 2/3

- The Parties commit to respecting **International Labour Organization Conventions** on:
 - Forced and child labour
 - Non-discrimination at work
 - Child labour
 - Freedom of association and the right to collective bargaining
- In addition, there are commitments on **health and safety at work and labour inspection**.
- Both sides also agree to respect **multilateral environmental agreements** that they have signed such as the CITES Convention on wildlife trade and to work together on their implementation.
- In a specific article on **climate change**, they agreed to strong language committing to effectively implement the Paris Agreement and to cooperate on the trade climate change interface.
- Commitments are included on fighting against **deforestation**.
- It safeguards relevant initiatives on **sustainable agriculture**, including EU private sector actions on zero deforestation supply chains and producer-led initiatives, such as the soy moratorium in Brazil to limit the expansion of soy plantations in forestland.
- The Parties also commit to promoting **corporate social responsibility/responsible business conduct**, in line with international guidance such as that of the OECD or the UN

Trade and sustainable development chapter in the Mercosur agreement 3/3

- The chapter also includes **thematic articles on trade-related aspects of natural resources** such as biodiversity, forests and fisheries, including combatting illegal logging and illegal, unregulated and unrecorded (IUU) fishing.
- The agreement lists **a number of areas of potential cooperation** with a view to ensuring that trade supports the sustainability agenda, including zero-deforestation supply chains.
- The chapter is subject to a **specific dispute settlement procedure** under which a complaint concerning non-compliance is first considered in formal government consultations. If the situation is not resolved then an independent panel of experts can be requested to examine the matter and make recommendations. The report and recommendations must be made public so that they can be followed up by stakeholders as well as by officials of the Parties.
- The **civil society consultation mechanisms** built into the agreement will complement these provisions, providing an opportunity to shape the implementation of the chapter and the agreement.

IV. Non-binding Partnerships

- Based on **MoUs** consisting of:
 1. channelling cooperation funds in infrastructure to support the economic development,
 2. match-making activities to promote the integration of raw materials value chains (identify and leverage private and public investment, share information),
 3. promotion of common R&D projects
 4. promotion of **Environmental, Social, and Governance (ESG) Criteria, and Standards.**
- **Bilateral partnerships** already concluded with Canada and Ukraine, and more are in the pipeline in the next months, including with LA countries
- **Multi-party initiatives** with like-minded countries:
 - Minerals Security Partnership (MSP) led by the US
 - EU-US Trade and Technology Council (TTC)

V. New autonomous trade instruments

- Rationale: having the necessary tools at our disposal allowing for autonomous action
- Economic/political: anti-coercion instrument, foreign subsidies instrument, international procurement instrument
- **Sustainability: deforestation, corporate sustainability due diligence, CBAM, forced labour**

VI. Internal EU action on critical raw materials

- **CRM package** intended for adoption in the first quarter of 2023
- The internal EU measures are to be covered by a legislative proposal (“**critical raw materials act**”). It would include:
 - Providing a shared understanding of which critical raw materials can be considered as particularly strategic
 - Improving the EU’s monitoring capacity
 - Strengthening Europe’s raw materials value chain for mining, refining, processing, and recycling capacities while ensuring a sustainable level playing field.
 - Identifying mineral resources and critical raw materials projects in the EU strategic interest while ensuring a **high level of environmental protection**.
 - Strengthening circularity and support research and innovation
- The package would include non-regulatory initiatives, in particular **a communication** covering also the international dimension
- **Call for evidence** published, pls **share your views until 25 November!**
 - Link: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13597-European-Critical-Raw-Materials-Act_en

Thank you