

# annual report

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A contribution to Europe's  
material sustainability



**euromines**



# **Euromines Steering Committee**

June 2004- June 2006

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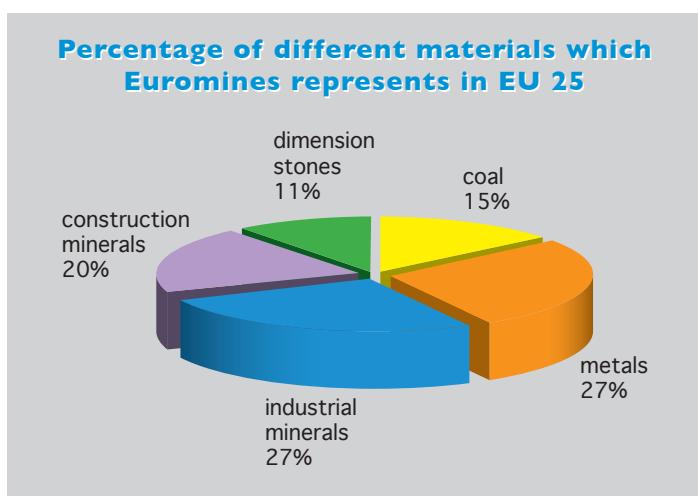
## An enlarged Europe - an enlarged Euromines

Dear colleagues,

*It was a pleasure to take over the Presidency of Euromines from my predecessor Shaun Stewart and to continue the work that had begun in the previous years. In particular the enlargement of Euromines to the companies and associations in the Eastern European countries which had started about 18 months ago could be developed further in 2004.*

*The results from this exercise to which many of you have contributed in the past months through your advice and your contacts has lead - so I believe to a major accomplishment in a relatively short time period. Euromines today includes representatives from Poland, the Czech Republic, the Slovak Republic, Hungary, Bulgaria, Romania, and Turkey. A few more member states might follow in 2005.*

*The number of companies represented in Euromines has risen from about 450 to over 1950 in these past 18 months. And with the new associations joining the minerals port-folio of Euromines has also changed considerably. It is important to note that with this enlargement of the membership the issues have not quadrupled, although some more issues have of course been added which will have to be dealt with. This is why a special section of this annual report is devoted to our new members.*



**+ r** The strength of the organisation and its access to political decision makers has been considerably increased.

**O** The remarkably strong investment in Europe into exploration and new mine development is encouraging and will continue to grow in 2005 which should assist Europe in guaranteeing a sustainable mineral supply for Europe's growth.

**P** I am looking forward to a fruitful year 2005 and a good continuation of the excellent cooperation with all our colleagues.

**⊕**  
Tom Niemi  
President

A handwritten signature in black ink that reads "Tom Niemi". The signature is fluid and cursive, with a distinctive upward flourish at the end.

## 1. The European extractive industry in the enlarged Europe - contributing to Europe's growth

### 1.1 The mineral base of Europe

Europe is rich in natural resources and the extraction and supply of minerals continue to play a crucial role in the European economy and society as it has done for thousands of years. Minerals are used in every-day life, as construction materials (crushed rock, sand and gravel) for infrastructure, buildings, and roads, and for industrial purposes (e.g. metals, lime, kaolin, silica sand, talc) in the production of steel, cars, computers, medicines, human and animal foodstuffs and fertilisers. To a large extent, demand for the wide range of minerals produced in the EU is strongly influenced by the business cycle of downstream sectors, such as the construction and steel-making sectors. In this respect, the industry differs from many other forms of manufacturing.

The non-energy extractive industry in Europe - that is excluding minerals used for fuel - is usually divided into three sectors: metallic minerals, industrial minerals and construction materials. The total annual turnover of these three sectors in the EU is about 30 billion and direct employment in the EU sectors is estimated to be around 190.000 people. More than 70.000 people are estimated to be employed in the industry in the EU enlargement countries. It is estimated that the indirect employment provided by the industry is up to 4 times the directly employed.

The three sectors are characterised by their exceptional diversity.



Aitik mine, Boliden, Sweden

The EU metal mining sector is composed of around 250 enterprises, which include some of the major multinational mining companies, which have their headquarters located in Europe. European companies compete in a global market and the majority of metallic ores are imported to supply the demand of the European metal industries. The EU metal mining sector accounts for some 3% of world production, located in many EU member states, particularly in some of the more Northern

economic growth in regions which would otherwise have difficulty in attracting other investment. Since metals, their ores and concentrates are traded on international markets, European metal mines face strong competition from large-scale, high-grade overseas operations capable of producing metal ores and concentrates under low cost competitive conditions. The EU sector has made substantial efforts to reduce operation cost levels through rationalisation, innovations and increasing capital intensity.

The industrial minerals sector provides a wide range of minerals which can be loosely classified as either 'physical' minerals, that is, minerals valued for their physical properties, for example, calcium carbonates, diatomite, kaolin, plastic clays, bentonite, feldspar, silica, and talc or; 'chemical' minerals, that is minerals valued for their chemical properties, for example, borates, salt, potash and sulphur. Extraction is undertaken in all of the current EU Member States, although some countries have more significant production than others. There is a highly developed international trade for some industrial minerals. This sector in the EU is mainly composed of small and medium-sized enterprises. However, it also includes some of the world's leading international production companies, operating on a global basis such as in talc. Processing of the minerals before sale can be relatively simple (mainly crushing, grinding and classifying) but may also be more sophisticated for some mineral types (e.g. mineral sorting by flotation, laser optics, magnetic separation, or calcination)



Cleveland Potash, UK

The construction minerals sector is by far the largest in terms of tonnage and sales revenue. It consists predominantly of small and medium sized enterprises with over 20 000 sites supplying local and regional markets with materials such as sand and gravel and crushed rock (aggregates) for construction, railway ballast and armour stone for flood and coastal defence. It also provides the raw material used in the manufacture of other vital construction products such as ready-mixed concrete, asphalt, lime and cement. There is also a number of multinational quarrying companies, which supply more distant markets. Substantial amounts of sand and gravel are also extracted from the seabed. In general, the widespread distribution of sand and gravel, and hard rock resources, and the relatively low price of the product, means that transport costs significantly influence the marketability of these products. EU production in this sector meets over 20% of global demand.

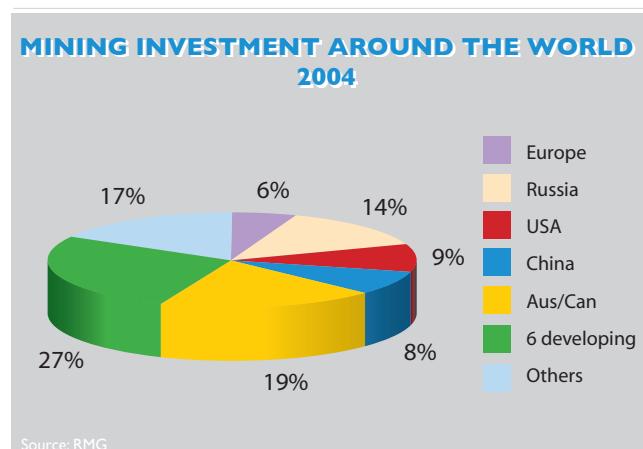
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## 1.2 The extractive industry in a global context

When analysing the location of mines in Europe it becomes clear that only 6 % of the world's mines are located in Europe at the moment. The picture has changed over the past decades, but with the new investments for exploration and for new projects in the pipeline this downward trend might well change in the coming years.

An analysis of the investment situation around the world clearly indicates that there will be a strong development of mining in China and in the developing countries that are particularly endowed with mineral resources in South America, Africa and Asia.

On the scale of world mining the current developments in Europe do not make a huge difference yet. However, when looking in detail at the changing investment pattern for Europe, it might well be that in a few years the overall picture will be changing.



## 1.3 Investment in exploration and mine development in Europe and in a global context

### Exploration and new projects in Europe

Exploration in Europe on average has been on a slow rise during the last ten years if measured in absolute Euro terms. It amounts today to about 4 % of world exploration. It is mainly on the periphery of Europe that most of the interest is focused: namely Scandinavia (including Greenland), Ireland, Iberian Peninsula, and Greece. The stable European economic and political situation together with the proximity to major markets are the main reasons for the sustained strong interest in exploration of these regions. If measured relative to the size of the continent the interest in Europe is even more pronounced.

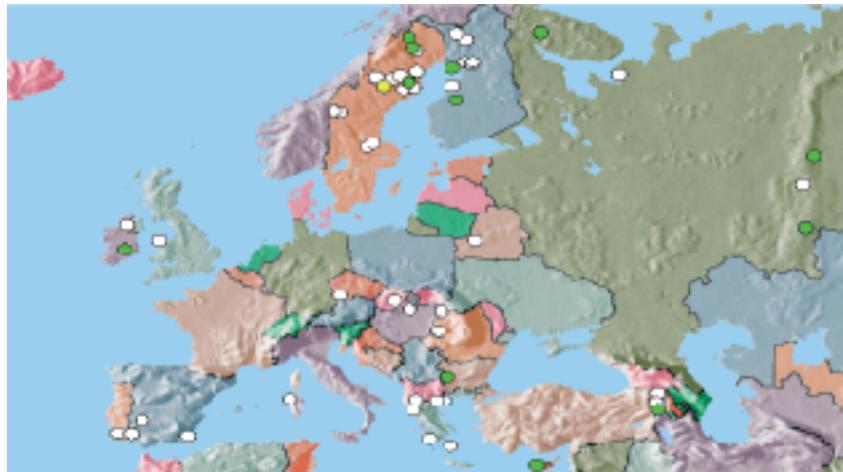


Such continuous and steady exploration and development leads to new projects in Europe such as the new gold mine in Greenland which was opened in 2004.



Nalunaq gold mine in Kirkespiredalen, Greenland, opened in 2004  
(photo courtesy NunaMinerals)

From the following map one can see many more projects under way.



New European mining projects

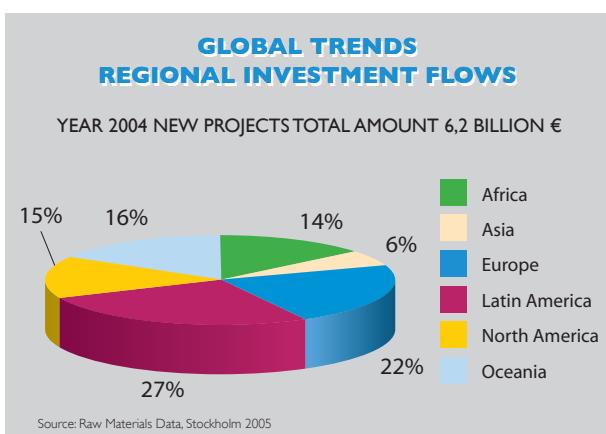
The new Member States also still have a good potential for new mining projects and there are first signs of international interest in new projects in these countries. However, the implementation of the European body of legislation and the restructuring still ongoing in these countries will probably mean that more time will have to pass before further major investments in the mining industry in these countries will take place.

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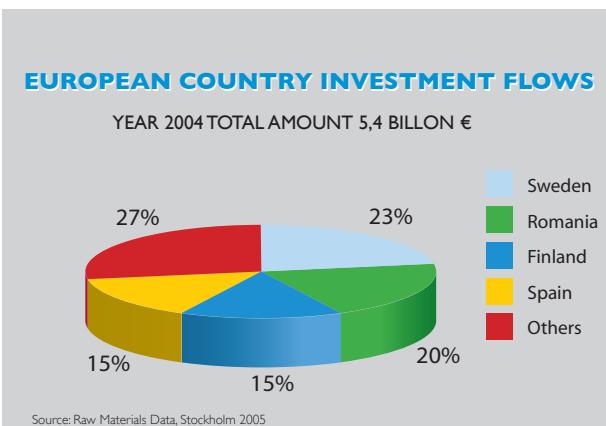
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## 1.4 Investment in new projects in the metal mining sector

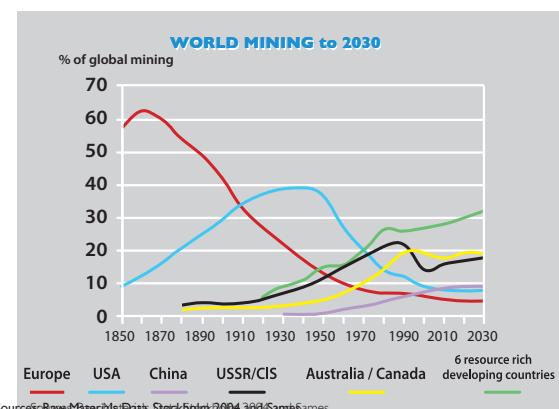
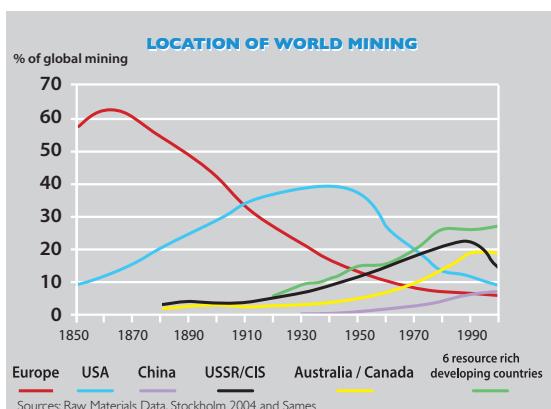


When analysing the figures for investments in new projects in a world wide context it becomes clear that at the moment Europe has a major share of 22 % of world wide investments. The relatively stable legislative framework, the still strong potential for good deposits, the strong demand of the European markets still provide sufficient reasons for investing in Europe.



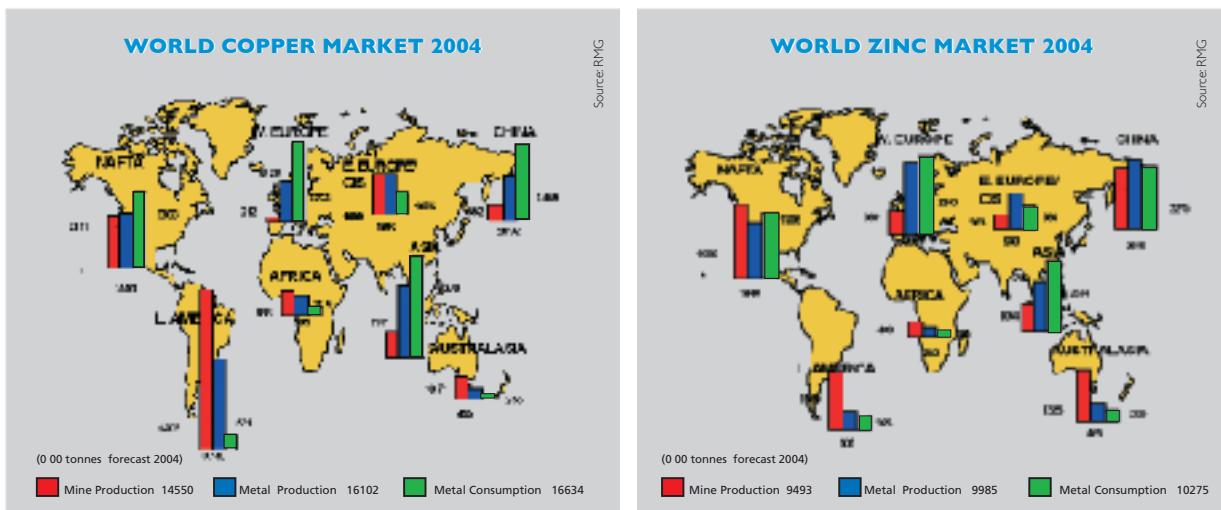
When analysing the investments in the metal mining sector by metal it becomes obvious that gold and copper are at the top of a series of metals being invested in at the moment. When analysing the countries, Sweden and Romania have the biggest share at the moment.

Conclusions that can be drawn from this analysis are that there is no risk for depletion of resources. The demand is strong and sustained. With a growing demand in the developing countries such as China there will be a further need to develop Europe's own resources in order to satisfy the demand. But apart from the development in China a number of other factors will influence the development of projects in Europe: the stable legal framework, the capacity for technological innovation, the development of energy costs, and the acceptance by the general public that our societies cannot operate without mineral resources.

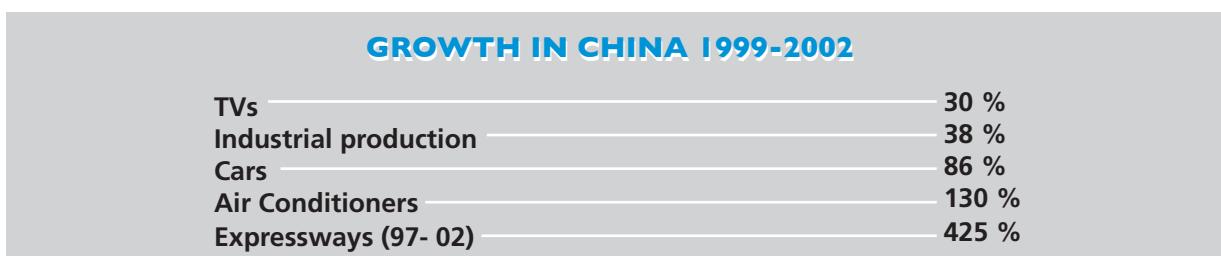


## 1.5 Supply of metals and minerals for a European downstream industry

It should be noted that Europe is relying in many areas on imports from other parts of the world. This is particularly the case for metal ores and concentrates but also for a series of industrial minerals.



One of the main drivers of consumption in 2004 has been China. When considering just a small group of industrial consumer products it becomes clear what has happened in terms of end consumption.



In terms of the general consumption of metals, China today consumes 17% of the world's metals production and this is growing at an annual rate of 12 %. This results in a 2 % growth globally of all metals. Similar figures could be established for the consumption of industrial minerals since they are similarly linked with many consumer products.

Taking into account the Chinese population growth a longer strong increase in consumption can be expected.



**Aluminium:**  
various body, motor, interior and  
compressor parts, wire racks  
and shelves

**Barite:**  
additive in rubber  
or plastic door seals

**Chromium:**  
chrome plating on steel  
door handles, trim

**Quartz, calcite:**  
glass shelving  
and light bulb globe,  
fibreglass insulation

**Iron ore:**  
steel frame,  
body, doors,  
and door handles

**Tungsten:**  
light bulb filament

**Colemanite:**  
fibreglass insulation



**Sulphur:**  
additive in rubber  
or plastic door seals

**Petroleum:**  
plastic interior and  
external parts

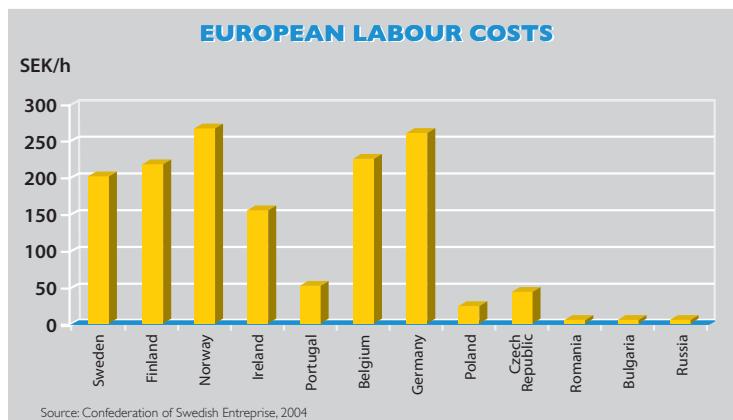
**Titanium dioxide:**  
colorant in enamel paints

**Mercury:**  
thermostat controls

**Copper:**  
electrical cord wire,  
compressor,  
condenser coils,  
fan motor and  
light bulb base

## 1.6 Employment and regional development issues

The European extractive industry in the new Europe is confronted by a large number of issues in the area of employment and regional development. Not only do the labour costs vary considerably in Europe, the prices for energy are also on the move and at different speeds in different countries.



In addition, large sections of the extractive industry in the new member states are undergoing major restructuring and adaptation. Modernisation and with it a reduction of labour forces will render the enterprises in these countries more competitive in the future. At the same time this causes substantial new challenges for the local communities and the regions that traditionally were dominated by the extractive industry who will need to redevelop their economic structure to develop further employment opportunities and to secure the viability of the communities. New investments in mining will be needed to drive the economic development of some of the enlargement countries' growth.



In this context Euromines supported the set-up of a new regional network of mining regions in Europe which was awarded Interreg funding in 2004 and will run for two years. Working parties are concentrating on cooperation with industry, on environmental issues but also on industrial clustering and regional development.

## 2. Situation in enlargement countries

(Reports provided by the new members)

### 2.1 Bulgaria

The Bulgarian mining industry includes mining and processing of coal, ores for ferrous (iron, manganese) and non-ferrous metals (copper, lead, zinc), industrial raw materials (kaolin, bentonite, barite, expanded clays, perlite and zeolite, quartz sands, feldspars, salt), building materials (gypsum, sands, raw materials for the cement industry - limestone and dolomites), rock-facing materials and decorative stone (marbles, granites, sandstones and slates, limestones).

The sector has been restructured and is completely within the private sector of economy, only two state companies being state property - those mining lignite coal ("Maritsa Iztok" mines) and those mining brown coal ("Bobov Dol" mines). In relation to the liberalization of the energy sector of Bulgaria, the government has declared its intention to offer these for privatization before the end of 2005.

Following years of strong decline, which was related to the political and economic conditions of Bulgaria's transition towards a market economy, since 2004 the mining industry of Bulgaria has been in a state of advance. The reasons for this lie in the stabilization of the political and economic situation in the country, related to the expectations of Bulgaria to become a member of the European Union, the growth of metal prices worldwide, the increased active interest of the banking sector to the industry and the improved management of the companies.

In terms of structure, the ratio of the economic production (ca. 700 million Euro) in the above sub-sectors is as follows: coal - 60 %, ore mining - 23 %, mining of industrial raw materials - 10 %, quarrying of building materials - 7 %.

Of these products, over 88 % are traded on the domestic market (coal, building materials). Exported raw materials (12 % and growing) are the non-ferrous metals (copper, lead, zinc, manganese, industrial raw materials - kaolin, bentonite, perlite, quartz sands), some building materials (gypsum, cement, decorative stone - limestones and marbles, slates).

The sector comprises about 800 companies (60 % of them being in the building materials sub-sector) which employ over 32 000 people. The privatization of the companies has been followed by stabilization of employment in the sector. The average salary for that industry is about 220 Euro, and the annual productivity attained exceeds 25 000 Euro/man.

The major problems faced by the industry are:

- inadequate legislative basis (documents) for the industry-specific economic situation, which creates bureaucratic and economic problems for business and the related corruption in disposing of state assets. Although underground resources are, according to the Constitution, "exceptional state property", the State itself has not worked out and approved of any concept and vision for priorities and development of the mining industry;
- backwardness of the companies from the industry in terms of technology, low quantity and quality indices of the raw materials basis. The reason for this is the lack of trust and the cautiousness of the banking sector (both Bulgarian and foreign) towards the mining industry, which deprives it of fresh financial resources needed for the carrying out of its tasks and for the raising of the competitiveness of the mining companies;
- deteriorating levels of qualification of the people working in the sector, due to ageing of the personnel and mostly to workers withdrawing due to the unattractiveness of the production, the specific conditions of work, the low payment for workers and specialists, the removal of certain social privileges.

The challenges for the mining industry in Bulgaria are related, above all, to the country's accession to the EU and the insufficient preparedness of the companies in technological respect (due to lack of financial resource) for the achievement of the requirements of the European Union in the areas of environment and labour conditions.

## **2.2 Czech Republic**

The changing structure of the Czech economy and particularly Czech industry in the last several years has had significant effect on the importance and position of the mining and mineral raw material's processing industry branches. Evidence could be seen for example in the fact that share of the mineral raw materials mining industry in the gross domestic output fell from 3.7% in 1993 to 1.4% in 2002. Also the share of the mineral raw materials mining sector in the overall industry production fell from 6.9% in 1993 to 3.0% in 2001.

Implementation of a market economy led to a certain limitation, eventually to complete shutdown of exploitation at the uneconomic deposits. Mining was totally halted on the gangues, heavy spar and fluoride deposits and on smaller coalfields. Coal mining as a whole was substantially reduced. Uranium ore mining was substantially reduced and will be terminated in 2005. During 2003 the decrease in volumes stopped, to be replaced by a moderate increase in the mined volume of some raw materials. Significant increases were seen in the area of construction stone mining (between years 2002/2003 total increase roughly 16%) as well as of gravel sands (roughly 10%). Mining of construction materials, stable over the last few years, increased as a result of rising demand from restoration activities after the heavy floods that hit Czech Republic. Building stone mining continued to increase in 2004 (by around 6%) whereas the mining of gravel sands returned to the level of the year 2002. 2003 also evidenced a continued increase in exploitation of feldspar, a raw material in demand both in domestic and foreign markets. Crude - oil production also increased but its share represents only about 5% of total domestic consumption. During 1996 - 2000 production of swelling clay, previously stable, markedly increased. In recent years the mining of glass sands, foundry sands, lime stone, kieselguhrs and paper kaolin also showed some expansion. Extraction of well known Czech graphite was terminated in 2003.

Major export commodities in the raw materials sector over the last year remained anthracite, lignite, kaolin, and glass sands. It is possible to add also exports of cement, coke and the products of the glass and ceramic industry. In 1999 the Czech Republic introduced a specific raw materials policy in the area of mineral raw materials and their sources and are presently drafting similar policies at regional level.

The mineral raw materials specified by the law No. 44/ 1988 Dg. (about protection and utilization of natural resources - so called mining law) are divided into dedicated and non- dedicated. Naturally occurring deposits of the dedicated minerals represent part of a country's natural wealth and are its property. Deposits of the non-dedicated minerals (especially gravel sands, construction stone and brick clays) are integral components of estates. The State concerns itself with the efficient utilization of natural mineral resources and protection of mineral wealth. Mining is coordinated by the Ministry of Industry and Trade, Ministry of the Environment and above all by the Czech Coal Board.

*Tezebni-Unie*

## **2.3 Poland**

From Poland so far only the Polish copper/silver/gold producer joined Euromines.

KGHM Polska Miedz S.A, a leading producer of copper in Europe and globally, is a company with an over forty-year tradition, whose origins reach back to 1961. Since 12 September 1991 KGHM Polska Miedz S.A. has been a joint stock company. Since 10 July 1997 its shares have been traded on the Warsaw and London Stock Exchanges.

KGHM Polska Miedz S.A. is one of the largest companies in the world involved in the production of refined cathode copper, wire rod (for the production of cables and wires), round copper billets and

electrolytic copper cathodes are registered under three brand names: HMG-S, HMG-B and HML. All of these brands meet the requirements for Grade „A” in accordance with standard BS EN 1978:1998. This grade guarantees the highest quality product. This certificate was granted by the London Metals Exchange (LME). Refined silver, produced in the form of bars, holds a Good Delivery certificate. This certificate was granted by the London Bullion Market Association (LBMA).

KGHM Polska Miedź S.A. is one of the largest producers of copper in Europe, having its own source of ore and an integrated production structure, from mining to the final, high-quality product.

The company bases its production around an integrated technological process, in which the end product of one stage is a semi-product used in the following stage. The production of non-ferrous metals in KGHM takes place in three mining divisions ("Lubin", "Polkowice-Sieroszowice" and "Rudna"), two smelter/refineries ("Legnica" and "Głogów"), a copper wire rod mill (HM "Cedynia") and in the Precious Metals Plant at HM „Głogów”. The company employs nearly 18 000 people. Copper resources in the Copper Belt are estimated at 33.5 million tonnes. This is one of the largest single deposits of this metal in the world.

Copper production in KGHM in the year 2004 amounted to 550 000.066 tonnes (i.e. 3.7% of global production of copper in concentrate). KGHM Polska Miedź S.A. is also one of the world's leading silver producers - in 2004 silver production amounted to 1344 tonnes (i.e. 10 % of global production of silver in concentrate). Net profit in 2004 was 332 866 079 € and was nearly 2.6-times higher than that achieved in 2003.

Profit from sales in 2004 amounted to 346 439 936 € and, in comparison to the prior year, increased by 241 519 888 €, i.e. by nearly 3.4-times. We are one of the largest Polish exporters, selling over 60% of our production abroad, as well as one of the largest companies in the Polish economy.

The near-term goal of the company with respect to its core business is to increase the production of its mining and smelting facilities, to optimise the exploitation of its ore and to reduce its costs. KGHM Polska Miedź S.A. is endeavouring to access further portions of its copper deposits. One of the elements of this strategy is the construction of shaft R-XI in Grodowiec with a depth of 1200m. Looking further into the future, the company's hopes lie in cheap open-pit mines in South America and Africa, e.g. in Peru and the DR of Congo, as mining costs in these regions are much lower than those which are incurred by KGHM Polska Miedź S.A. in exploiting its domestic ore deposit.

*KGHM Polska Miedź S.A.*

## 2.4 Slovakia

Slovakia has a wide range of extraction operations:

**Energy Raw Materials** - The Slovak Republic is permanently dependent on imports - up to 90 % of consumption is covered by imports.

Production (extraction) in Slovakia:

- **Gas** - approx. 200 million m<sup>3</sup> / year , which is 3% share of total consumption (the gas storage in underground reservoirs is a prospective activity. 90 billion m<sup>3</sup> of gas per year is exported by Slovakia to Europe. The current underground reservoir capacity is 2,5 billions m<sup>3</sup>. An extension up to 3,5 billions is in preparation).

- **Oil** extraction is about 50 kt/year, which represents only a 1% share of total consumption. There is no assumption for a growth here.

- **Brown coal** (lignite) is the most important indigenous (domestic) energy raw material. Production is about 3, 000 kt, of which 80% is consumed in Slovakia. The amount will probably go down to 2,500 kt in 2010 year.

- **Metals** - because of the small amount of low quality reserves, exploitation of ore deposits was ceased in Slovakia. There is only one mine still in operation, extracting approx. 700 kt of iron ore a year.

**- Magnesite** - Slovak magnesite is high in iron oxide and its usage is therefore mainly in refractory materials production for classical metallurgy and for the energy industry. Yearly production reaches 1, 640 kt. The reserves account for more than 100 years production. This sector is stabilised and we could imagine further development.

**- Rock Salt** - the extraction is stabilised at 100 kt/year. Opening of a new deposit is in preparation and will increase production to 300 kt/year.

**- Industrial Minerals** - reserves of this commodity form the largest proportion of raw materials in Slovakia. However, production strongly decreased after 1990 due to fall in investment and decreased demand from the building industry. We imagine that the extraction of these materials will be successfully developed. A new deposit of talc was discovered in the 1980's which is with good quality and with large reserves. Exploitation is in preparation.

Actual challenges in the extractive industries in Slovakia:

Conditions for doing business in raw materials extraction and processing are not favourable. The following factors have an influence:

- permanent energy price growth,
- the new environmental legislation has negatively impacted mine costs, reduced competitiveness, diverted capital for development programmes,
- taxes are high in this sector and there are additional extraction fees to the State and landowners for raw materials and for the mining area,
- the level of wages in the extractive industries sector are only at the average national level.

Doing business in the extraction and processing sector involves low revenues, reducing interest to participate. The industry presently only employs 9442 people.

#### *Slovakian Mining Chamber*

## 2.5 Turkey

The Turkish economy ranks 21st in the world, and 7th in Europe.

Forecast of economic figures are:

	2004	2005	2006	2010
Population	72 m	73 m	75 m	80 m
Real GDP Growth	8%	6%	5%	5%
Inflation	8%	6%	4%	4%



During the past years the Turkish economy has changed orientation and carried out a number of institutional changes. The economy is integrated to the European economy. The main trade partner of Turkey is the European Union with 55% of total Turkish exports. The Turkish trade balance remains negative (see below).

Turkey is endowed with a great variety of minerals. The country has a particularly strong industrial minerals sector. Major minerals mined in Turkey are:

<b>Boron minerals</b>	<b>Barite</b>	<b>Chromite</b>
<b>Marble and travertine</b>	<b>Feldspar</b>	<b>Perlite</b>
<b>Strontrium</b>	<b>Magnesite</b>	<b>Gold</b>
<b>Pumice</b>	<b>Copper</b>	<b>Emery</b>

The minerals industry employs more than 10,000 people. The minerals exports of the mining sector were at the level of 770.000.000 € in 2004.

In recent years, the balance between the public and private ownership in mining has been tipped in favour of the private sector with a number of privatisations while the private sector has been growing much faster than the public sector.

The last few years have also seen a number of international mining companies increasing their exploration activities in Turkey and investing in the Turkish operations.

This trend is encouraged by the recent amendment to the mining legislation (Law No. 5177, 5.6.2004) which will enable the sector to overcome many previous difficulties. The improvements brought about by the new legislation can be summarised as:

- Security of mining licenses. The new legislation outlines very clearly the terms and conditions for obtaining, keeping and losing a mining license. This is a very important improvement on the former status.
- Single authority. The legislation appoints a single government agency to obtain and maintain licences, rather than needing to apply to a number of agencies as the case had been in the past.
- Access to land. The access to areas where it will be possible to carry out mining has been improved.

The mining legislation will also encourage large tracts of land under licenses belonging to the public companies becoming available for mining after a certain period of time.

The new investments in the sector, along with the legislative improvements, have caused a wave of optimism in the sector. Some of the existing new investments are:

#### ***Trona:***

The second largest trona reserve in the world is in Turkey and two projects are already under way to produce soda ash from this reserve from world-class mining operations using solution mining techniques.

#### ***Borates:***

The mining of borates are carried out by the state mining concern Eti. The company meets 35% of world's borate demand; and is expanding its mining and refining capacities.

#### ***Chromium:***

Turkey has been one of the top five producers of chromium ore. Two million tonnes of ore is produced annually. Recently, new investments have been made to increase ore production.

#### ***Gold:***

Recently, extensive fieldwork of the international mining companies identified significant gold reserves in Turkey. Current gold reserves of Turkey have reached a 19 million ounce level - representing a monetary value of around 5,7 billion € at current gold prices. Upon realisation of the investments in the current gold projects, Turkey would have the potential to become a top gold producer.

***The Turkish Mining Enterprises association***

### **3. European Policy Issues**

The extractive industry provides a major contribution to the EU's policy for sustainable development, not only providing the basis for economic growth and social development, but also continuously reducing its environmental footprint and supplying metals and minerals for many environmental applications. At the same time many EU policies have an impact on the extractive industry in Europe and provide new challenges.

#### **3.1 DG Enterprise assessing the Competitiveness of the non-energy extractive industry**

DG Enterprise began in 2004 to assess the competitiveness of the non-energy extractive sector. As a first step, a provisional assessment was made based on the characteristics of this sector in the EU and the Enlargement Countries, and consideration had been given to some of the key issues identified in the past as being likely to influence the industry's competitiveness.

The assessment raised a number of questions, which were used to focus discussion:

- Choice of indicators to be used to describe the sector;
- The availability and quality of data required in producing the indicators;
- Time scales to monitor trends;
- The analysis;
- Assessment of the factors influencing competitiveness; and
- Links to other sectors of industry.

The industry fully supports this exercise and is looking forward to the outcome of this analysis and to any potential measures to strengthen the competitiveness, whether that would be in terms of tax regimes or with regard to any of the policies mentioned hereafter.

#### **3.2 Thematic strategy on the sustainable use of natural resources**

The EU Communication "Towards a Thematic Strategy on the Sustainable Use of Natural Resources" was adopted in October 2003 and stated as an objective the reduction of environmental impact of resource use. The goal is to ensure that resource use does not lead to environmental degradation and at this stage seems to concentrate on the sustainability of renewable resources where their overexploitation could possibly damage bio-diversity.

**The three main elements of EC's resource use strategy are**

- 1) to gather more information on the impacts of resource use throughout its life cycle,
- 2) to analyse policy options based on information about the impact of resource use on the environment,
- 3) to propose policies.

During the summer 2004 the two working groups concluded their reports which were finalised through another round of stakeholder consultations. In the autumn the Advisory Forum met for a last time to conclude on its findings after a two year discussion process.

DG Environment, having developed some principle thoughts on a further strategy, then launched another stakeholder consultation based on a questionnaire which was concluded at the end of January 2005.

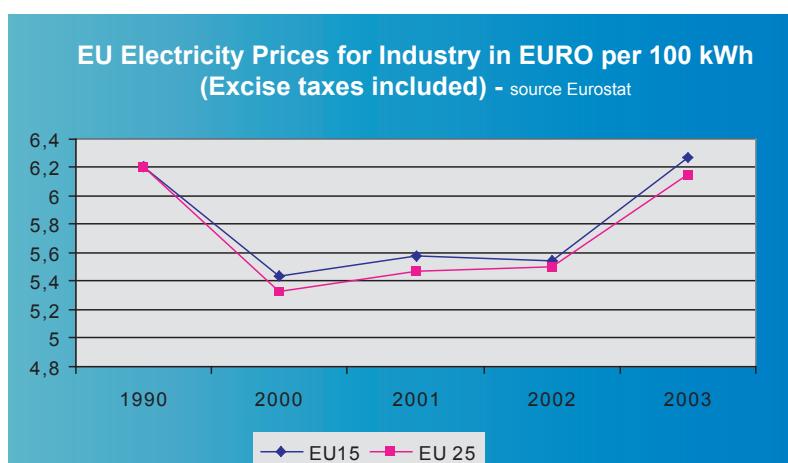
DG Environment is expected to provide a new Communication during the first half of 2005.

The industry supports the sustainable use of natural resources and is continuously optimising the use of mineral deposits as well as the efficient beneficiation of the minerals. It continues to improve its rehabilitation practices and the application of new higher value products. In addition, the industry continues its efforts to increase the transparency and thus to improve the overall image of the sector. Following the publication of the Europe wide **sustainable development indicator** data over 2001, the reporting exercise was continued for over 2002/2003. The number of reported sites was considerably improved, in particular by including the enlargement countries. Data quality and consistency was improved and a series of the indicators show a positive trend.

In order to improve the performance of the industry and provide assistance to the industry, Euromines developed, with the assistance of a specialised consultant, an **SME guide for implementing ISO 9000 and 14000**, this is available on the Euromines website. An update will be developed in 2005.

### 3.3 The EU energy policy

The secure supply of energy at competitive prices and the development of energy prices are key factors for the competitiveness of the extractive and mineral processing industry. The industry is monitoring the development of the EU's energy supply policies very closely. Of great concern is therefore the energy policy of the new member states. Energy prices, despite the intended liberalisation, are today higher than in 1990 and do not foster the competitiveness of producers that have to compete with worldwide operators.



#### Emission trading

The EU emission trading scheme coming into effect on 1 January 2005 is expected to increase costs rather than alleviate them. The format for monitoring and reporting was approved by the Member States in March 2004.

None of the extractive installations are currently covered by this scheme. However, the industry is monitoring these first steps with great concern since the additional costs which the industry would incur if the European emission trading scheme were extended, possibly as early as 2007, would be very important for many installations.

### 3.4 The EU Chemicals Policy

The year 2004 has seen a further development of the Proposed Regulation concerning the Registration, Evaluation, Authorisation and Restrictions of Chemicals (REACH), establishing a

Organic Pollutants. Although the industry strongly supports the safe use of chemicals and the information about substances used, the extractive industry is deeply concerned about the current proposal, its scope and its practicalities.

In particular, the imbalance in requirements for organic and inorganic substances, the burden of registration for high volume of substances that will be handled in closed circles of industrial installations and will never be sold to an end-consumer, as well as the unfair stigmatisation of certain substances which might lead to substitution despite a lack of risk of uncontrolled exposure led to many interventions of raw material producers (REACH ALLIANCE), from the extractive industry.

At the same time the European Commission continued working on an interim strategy as well as guidance notes for implementation: the so-called RIPs. Our industry provided experts together with the other industry federations in the REACH alliance. **The Extended Business Impact assessment** that was commissioned by the European Commission, UNICE (including the REACH alliance) is expected sometime in March 2005 and hopefully will clarify a number of these issues.

### 3.5 Innovation and RTD policy in the sector

The year 2004 saw the preparation of a new policy document for European research creating a new era. In the *Strategic Objectives for the period 2005 - 2009 (COM(2005) 12 final Europe 2010: A Partnership for European Renewal Prosperity, Solidarity and Security)* the Commission President, Mr Barosso noted that the twin foundations for a more competitive and dynamic Europe are economic and social reforms and a thriving knowledge economy, which can be reached by **the establishment of a European education area and the European research area**.

With the preparations for Framework Program 7 (2007-2013) the Commission proposes a new generation of research programmes in order to narrow the gap between Europe's research effort and its major competitors. The EU budget will make a much larger contribution to the agreed goal of 3% of GNP devoted to research. The research programmes are expected to focus on areas where the EU can offer real added value: promoting excellence and fostering collaboration on a European basis, ensuring the research potential of Europe as a whole is realised, and offering economies of scale, effectiveness and simplification. Creating a knowledge economy in the EU also means achieving the EU goals for lifelong learning.

The FP 5 funded network NESMI started its last EU funded working year in March 2004. The network finally brought together some 113 partners who concentrated on defining the future needs of the European mining and processing industry. The outcome of the work performed on the research needs for the extractive industry was published in a book that can be ordered at [emirec@emirec.org](mailto:emirec@emirec.org) and provides the basis for the European Technology Platform on Sustainable Minerals that will serve as a basis for research funded programmes (through tenders) under FP7.

As a reaction to these developments, the industry has assembled its forces through the existing European Mineral Resources RTD Council (EMiReC). The network NESMI and the European Network for Mining Regions (ENMR) will further strengthen this network.

### 3.6 Reducing the environmental footprint

#### Waste Management: Proposed directive on the management of waste from the extractive industry

2004 has seen many fruitful discussions between the Commission, the Parliament and the Member States in the context of the development of the Directive on the management of waste from the extractive industry.

In 2005 the industry will still be awaiting the adoption of the Council directive and conclusions; the directive still has to undergo its 2nd reading. It is expected that the rapporteur Mr Sjöstedt will resume

Environment Committee of the Parliament and the vote. It can be expected that the Council and the eventual Conciliation procedure will take place in the autumn under the UK presidency leading to an adoption of the Directive towards the end of 2005.

In the context of preparing the implementation of the directive the industry has become active in CEN TC 292 by establishing a preliminary working group to prepare a European standard on waste characterisation for the sector. In 2004 the ad hoc working group started to prepare the work which will be continued once the official working group has been approved by the CEN plenary in May 2005. The Finnish standards organisation has agreed to provide the Secretariat.

### **Water Management: Proposed Directive on Groundwater**

The European Commission is in the process of developing a Directive on Groundwater, as stipulated by the Water Framework Directive. Although the extractive industry is largely exempted from the Framework Directive, the sector needs to ensure that the Groundwater Directive will provide adequate provisions for the extractive industry.

In the meantime the first reading of the proposed directive is under way. The rapporteur's report and the amendments for the first reading have been tabled. The discussions in the Environment Committee and the vote have been delayed till March 2005.

The NEEIP including Euromines are currently working on a joint position as well as recommendations for various Parliamentarians.

## **3.7 Corporate Social Responsibility: a focus on Health and Safety in the workplace**

### **3.7.1. The Standing Working Party for the Extractive Industry SWPEI**

At the end of 2003 the Safety and Health Commission of Mining and Other Extractive Industry (SHCMOEI) ceased to exist. The Commission's proposal to close the SHCMOEI (COM (02) 486 dated 04/09/2002) was officially adopted on 22 July 2003 by the Council and came into effect by the end of 2003.

As a result there will be a new body called SWPEI as a permanent sub-group of the Advisory Committee which will have five representatives of the governments, the employers and the unions each. Each of the European extractive industry associations nominated one representative into this body.

The work programme includes, for example, the review of the previous SHCMOEI work and the need for any updates or adaptation, e.g. for the enlargement countries, the development of harmonised health and safety statistics. The SWPEI is fully supported by the European extractive industry.

### **3.7.2. The OEL setting procedure**

In June 2003 the European Commission tabled its proposal for amending the Chemical Agents Directive with a 4th list of OELs. The proposal was strongly rejected by the employers group of UNICE and also by the extractive industry. A number of the OELs proposed completely disregarded previous comments and in some cases even disregarded relevant procedures.

The issue of setting OELs and the evaluation of the scientific evidence has led to increased focus on this problem also at international level.

The ICMM Taskforce on Health and Safety adopted in 2004 a project, which led to the appointment of an expert to write a comparative analysis of the OEL setting procedure worldwide and their shortcomings.

Based on the findings and the industry's position on the issues around the setting of OELs ICMM intends to hold a workshop in May in London which is to be understood as a contribution to a wide

debate of harmonising these procedures and to improve the quality and acceptability of the OELs proposed. It is strongly hoped that this process will also assist the European industry in resolving some of the European OEL discussions.

### **3.7.3 The OEL for NO and NO<sub>2</sub>**

Due to comments by the Technical Progress Committee responsible for adoption of such an amendment that several of the values proposed had not been examined by the Scientific Committee for Occupational Exposure Limits (SCOEL) these were eliminated from the list. However, this committee adopted the proposed limit of 0.2 ppm for NO although serious reservations concerning its implementability were raised.

The proposed value for NO in particular was rejected by industry on the basis that it was

- scientifically not justified,
- technically not achievable,
- not measurable
- economically and practically not implementable.

The industry, that is UNICE, the chemicals and the extractive industry held high level meetings with Mrs Diamantopoulos, DG Employment and Social Affairs as well as other Commissioners' cabinets. As a result the Interservice consultation was halted and the Commission wanted to table a revised proposal to the Technical Progress Committee of the Member States. This is expected during 2005. The industry's concerns remain.

It should be noted that as soon as a decision has been taken on NO it could be expected that the Commission would again try to address NO<sub>2</sub>. The industry is much concerned that the European Commission will follow its original proposal on NO which would be as unjustified and as impossible to achieve. Hopefully DG Employment and Social affairs will review its procedure and acknowledge that OELs which are scientifically unjustified should not be proposed just for the sake of having low values. The economic and social implications are far too serious to take such legislative proposals lightly.

### **3.7.4 Respirable crystalline silica**

Following the SCOEL's scientific evaluation of respirable crystalline silica in the workplace and its recommendation to lower the OEL to an unacceptable level, the industry proposed to the European Commission (DG Employment and Social Affairs) to launch a multi-sectoral Social Dialogue platform in order to discuss, monitoring, best practices in the industry and a dynamic scheme of monitoring and improvements.

In the meantime concerned employers' and employees' organisations at European level have agreed to embark on the exercise with the approval of the European Commission. The official launch of the negotiations will begin in spring 2005. Then, within 9 months both sides will have to come to a conclusion and agreement on the improvements to be achieved.

### **3.7.5 European Social dialogue: An agreement on health and safety standards**

The Commission's Social Dialogue Committee for the extractive industry, founded in 2001, continued its work in 2004 and as one of its major results concluded an agreement on H & S standards.

As a result of this agreement, in 2005 employers and employees will have to provide a status report on the situation with regard to the various H & S elements contained in the agreement.

Every two years thereafter an update of the implementation of the various issues will have to be provided.

This Committee further issued several position papers concerning

- the importance of the SCHMOEI and its successor SWPEI for the extractive industry,
- the Mine Waste Directive,
- the setting of an OEL for NO and NO<sub>2</sub>,
- education and training.

Towards the end of the year it also held a conference in Katowice with the Polish social partners in order to discuss the potential for European and social dialogue and various issues arising from it. In April 2005 a succeeding conference will also be held in Bucharest, Romania.

### 3.7.6 Continued support for FEMP - strengthening mining and mineral engineering in Europe

European competence in mining and mining engineering is recognised worldwide and needs to be maintained in the future for a viable European extractive industry. The industry supports the European Foundation for Mineral Programmes at universities across Europe which is now running three different programmes: the European Mining Course ([www.emc-edu.org](http://www.emc-edu.org)), the European Mineral Engineering Course ([www.emec-edu.org](http://www.emec-edu.org)) and the European Geotechnical and Environmental Course ([www.egec-edu.org](http://www.egec-edu.org), under construction). During the year 2002-2003 a total of 39 students participated in the three programs.

<b>Year</b>	<b>EMC</b>	<b>EMEC</b>	<b>EDEC</b>	<b>Total</b>
<b>1996</b>	<b>8</b>			<b>8</b>
<b>1997</b>	<b>18</b>			<b>18</b>
<b>1998</b>	<b>16</b>	<b>5</b>		<b>21</b>
<b>1999</b>	<b>15</b>	<b>11</b>		<b>26</b>
<b>2000</b>	<b>19</b>	<b>14</b>		<b>33</b>
<b>2001</b>	<b>19</b>	<b>14</b>		<b>33</b>
<b>2002</b>	<b>19</b>	<b>11</b>	<b>9</b>	<b>39</b>
<b>2003</b>	<b>17</b>	<b>18</b>	<b>7</b>	<b>42</b>

The students in 2002 originated from the following countries: Finland, UK, Germany (Aachen, Clausthal and Freiberg), the Netherlands, Poland, Hungary, Slovakia, France, Canada, USA, Chile and Argentina.

The European Commission's call for worldwide cooperation projects under Leonardo Mundus seemed a new possibility for supplementing the funding with EU funds. The foundation will continue to seek such funding in 2005.