

## The Commission calls for action on commodities and raw materials

***Excessive volatility of prices on all major commodity markets occurs at a time when the competitiveness of European industry crucially depends on efficient and secure access to raw materials. Raw materials are vital for the EU's economy and particularly crucial for the development of modern environmentally friendly technologies such as electric cars and photovoltaics. The recent volatility in commodity prices threatens to increase inflation and global raw material markets are becoming increasingly distorted due to protectionist measures. The price fluctuation on the agricultural commodity markets has an impact on farmers, food-makers and consumers, including in the poorest countries. In response to these challenges, the European Commission presented today an integrated strategic vision to tackle challenges in Commodity markets and on Raw materials. The Commission proposes actions to improve the regulation, functioning and transparency of financial and commodity markets. The European Commission also calls for the swift implementation of the Raw Materials Initiative adopted in 2008. The Communication on commodities and raw materials contributes to the Europe 2020 flagship initiative 'A resource-efficient Europe' that was adopted last month ([IP/11/63](#)).***

President Barroso said: "*In order to secure supply of raw materials for the European industry for coming years, we need to link this policy with our reforms of the regulatory framework for financial markets. Better understanding the synergy between the two will ensure that supply of commodities and raw materials matches demand in a resource-efficient way, contributing to sustainable growth in the European Union.*"

The European Commission presents an overview of developments in financial and physical markets and outlines what has been done since the launch of the Raw Materials Initiative. This includes achievements such as identifying critical raw materials, actions in the area of trade and development, guidelines that clarify how extraction in the EU can be compatible with Natura 2000 requirements, new research opportunities under the 7<sup>th</sup> Research Framework Programme and development of end-of-waste criteria.

In today's Communication, the European Commission proposes a series of measures, based on its Raw Materials Initiative to ensure a fair and sustainable supply of raw materials from global markets, to foster sustainable supply within the EU and to boost resource efficiency and to promote recycling.

At the same time, recent developments on commodity markets show that the prices of derivative and physical markets may be linked in multiple ways. Clearly, the price of commodity derivatives is influenced by the price of the underlying commodity. It is also clear that investors increasingly use commodity derivatives as part of their strategic investments.

Financial market regulation is one important response to these developments. The regulatory initiatives already undertaken or planned for the coming months will ensure enhanced integrity, transparency and stability of commodity derivative markets. The Communication also notes that further work is necessary to understand fully the interlink between physical and financial markets. The European Commission intends to continue working on this matter, in the framework of the G20-debate taking place at the global level.

The **key elements** of the integrated strategic approach include:

- **Improving the integrity, transparency and stability of commodity derivatives markets**, inter alia through a review of the Directives on Market Abuse and Markets in Financial Instruments;
- Undertaking additional research on developments in financial and physical commodities markets with the aim of identifying how the linkages work;
- Regularly updating the **list of 14 critical raw materials** already identified by the European Commission;
- Monitoring the development of access to **critical raw materials** with the view to identifying priority actions;
- **Strengthening the EU's trade strategy** in relation to raw materials and pursuing the "raw material diplomacy" to address raw materials priorities in bilateral and multilateral frameworks and dialogues;
- Developing a **bilateral co-operation with African countries** in the area of raw materials, based on promoting governance, investment and geological knowledge and skills;
- Working closely with Member States and other stakeholders to improve the **regulatory framework for sustainable extraction within the EU**;
- **Enhancing resource efficiency and promoting recycling**, by tackling the waste levels due to sub-standard treatment inside or outside the EU and obstacles to the development of the recycling industries through for example the strengthening of the enforcement of the directive on waste from electrical and electronic equipment;
- Further **promoting research and innovation efforts** along the entire value chain of raw materials, from extraction, processing, recycling and resource efficiency to substitution.

**For more information on the Commission's raw material policy:**

[http://ec.europa.eu/enterprise/policies/raw-materials/critical/index\\_en.htm](http://ec.europa.eu/enterprise/policies/raw-materials/critical/index_en.htm)