

Round-table series 2016

The round-table series 2016 is organized by the EESC's Consultative Commission on Industrial Change (CCMI) in partnership with relevant European and national organizations: Euromines, Euracoal, IndustriAll Europe, the European Commission and numerous national high level partners from academia, geological surveys, NGOs and civil society.

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The objective of the round-table debates is to link the Member States' economic and industrial policy along the value chain from raw materials to end-products and to develop strategies and overcome obstacles to maintain a well-functioning European industrial fabric by improving investment conditions and creating new jobs.



Round-table on Strategic Implementation Plan of the

European Innovation Partnership on Raw Materials

How can a sustainable mining sector contribute to the Portuguese economic and industrial growth

11 April 2016

1.30 pm - 5.30 pm



Laboratório Nacional de Energia e Geologia (LNEG),
Auditorium Carlos Ribeiro, Estrada da Portela, Bairro do Zambujal,
Alfragide, 2610-999 Amadora, Lisbon, Portugal

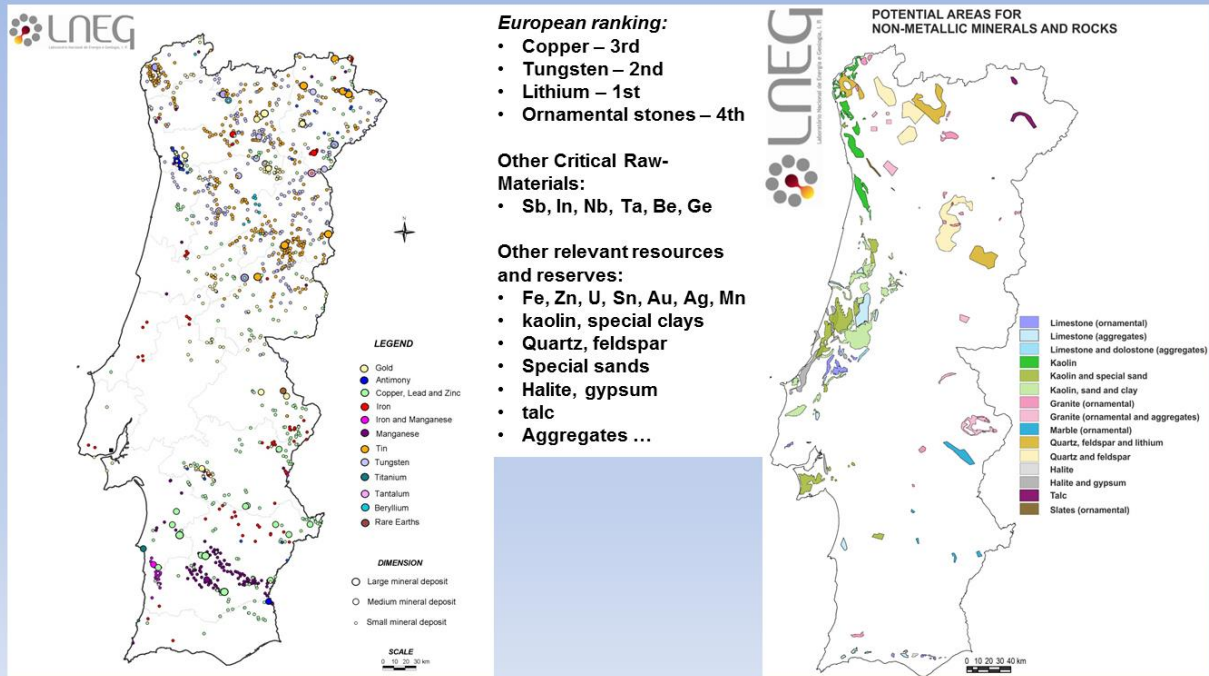
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Conclusion of the EESC Portuguese Roundtable

Portugal is a country with relevant mineral resources for the EU and beyond. The sector promotes local and regional wealth and welfare; respects the environment and it is one of the industries that contribute increasingly to the growth of the Portuguese economy.

Advantages

Mineral Potential



Portugal has good government relationships at all levels and low political risk. It has a good infrastructure (modern roads, water, power, and port facilities), experienced labour force, and in principle access to European Union and some Portuguese government financial incentive programs. The Government, social partners and relevant civil society organizations are involved in the social and civic dialogue regarding mining sector and its contribution to sustainable development of the country.

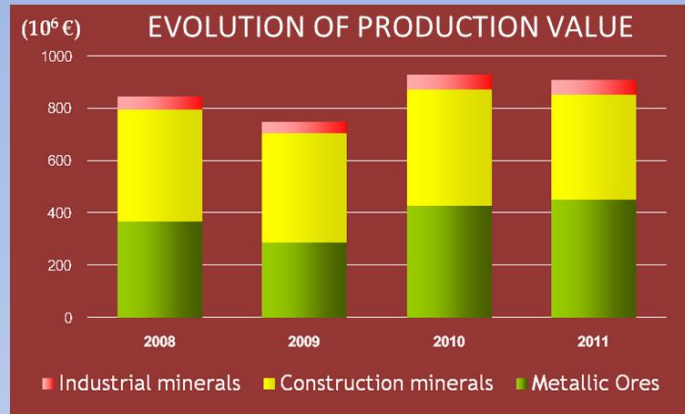
The sector provides:

- 85% of procurement is regional or national
- Around 2000 full time decent jobs for the same number of employees
- Additionally, around 1500 contractors
- 8500 spin-off/indirect jobs nationally
- 90% local employment where the industries are located

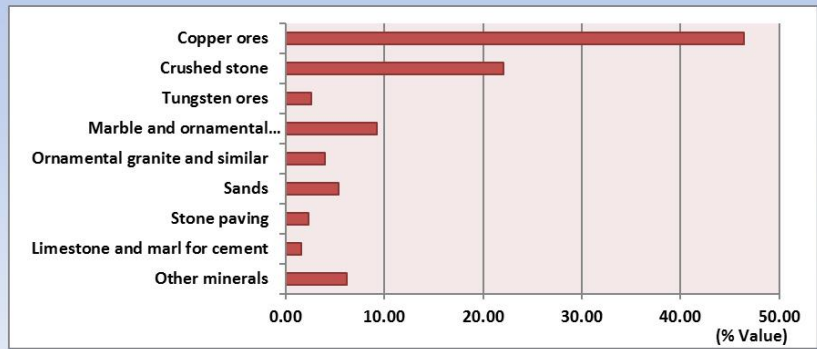
The combined effect results in an annual contribution to the Portuguese economy of 450m€ in Gross Value Added.

Advantages - Mineral Potential

Mining Contracts and Applications Metallic and Industrial Minerals



Main commodities Produced - 2011



Mines

With regard to the mining subsector, this is very important in terms of creating and maintaining jobs in areas where resources are extracted, assuming a significant weight in the context of national exports (up from EUR 400 million in 2014). Metal ores (e.g. copper, tin and tungsten) export 100 % of its production. It is however vulnerable to current cyclical market conditions. Despite a significant increase in exploration and research contracts in recent years, there is a need for increased support to mining companies that are already in the exploration phase as well as to those that want to start exploiting viable projects.

Industrial raw materials (minerals and aggregates for construction)

Following on from previous years, production and hence sales volume have decreased due to the large reduction in private construction works and to the stagnation of public works. This situation was further aggravated by the increasing difficulty of access to credit, the weakened financial condition of the customers and the increase in production costs, with the major and relevant influence of energy costs (fuel and electricity). The subsector has been stalled by the lack of national activities but did, however, seek new markets (exporting expertise and technology).

Ornamental Stone

The extraction and transformation of ornamental stone is of extreme importance for the country's economy. In this subsector there are many companies that develop activities focussing on exports as a consequence of the lack of national activities. The Natural Stone industry has sought new

international markets. In 2014 exports exceeded EUR 370 million, with an average growth between 2005 and 2013 of 6.3%.

The Portuguese Government recognizes the importance of this sector documented through:

- a) The National Strategy for Geological Resources;
- b) Allocation of a fund of 22 M € for the mineral resources sector, anchored in the new base law of geological resources. This amount shall be partially funded by the royalties applicable to mining concessions;
- c) the Coalition for Green Growth - a Government initiative being one of the national priorities betting on the green economy, that targets 10 sectors amongst which is the mining and manufacturing sector;
- d) Recent publication of the Major Planning Options, which essentially provides:
 - Administrative simplification of licencing procedures, which entails reduced time and lower context costs;
 - Eliminate requirements and excessive bureaucracy (on environment issues), and
 - Decentralization.

Issues that are currently still hampering the Portuguese reindustrialisation and with it the development of the raw materials sector and its value chain are:

1. **Energy Policy:** Energy costs (electrical and fuel energy) are very high.

Proposed solution: introduction of agricultural (coloured) diesel – (E.g The majority of self-propelled machinery used in the mining sector are not circulating on the public roads, so it is not fair to pay for them, fuel taxes that are dedicated to road infrastructure maintenance).

2. **Not enough investment into exploration:** the knowledge of the national potential needs to be strengthened, with preliminary identification of exploitable resources, a new “Fomento Mineiro” is needed.
3. **Licencing and permitting:** Simplification of the licensing process. Licensing is highly complex and overly bureaucratic (too long). The arduous process of negotiation and signing new contracts for prospecting and exploration of minerals does not attract foreign investment. Difficulties in access to credit for SMEs (deposits and credit lines): Not only corporate financing but also in terms of requirements for excessively high collaterals from the banks have been obstacles to the completion of the licensing processes.

Proposed solutions:

- a. There should be a single legal and objective framework, and that would avoid that each regional administration has a different understanding of certain procedures;
- b. One-stop shop where administrative entities have access to all relevant company information and where entrepreneurs can get the necessary advice and submit the permitting requests. There are still some platforms but are not yet operational;
- c. Numerous data reporting, sometimes repeated in response to different entities (INE, ACT (single report), DGEG (single survey), APA (Siliamb/Mirr), explosives, etc);
- d. Thus, without prejudice to recent changes in legislation, adapting it to reality is an extremely relevant requirement in order to promote this industry at national and international levels and to attract investors that require quick and precise responses and must be kept well informed.

4. Competitive tax regimes: The current tax burden is choking businesses and economic growth. Portugal's national tax levels need to be reconciled with tax competitiveness in the European and international framework.

Examples are:

- Fuel taxes;
- Tax on natural aggregates (€ 2.40 / tonne as a penalty for the use of natural aggregates and promotion of recycling);
- Taxes on explosives.

5. Improving of infrastructure: The promotion of competitiveness of Portuguese harbours

6. Land-planning: Coordination of the "Municipal Master Plans" with the areas allocated to the extractive industry and related activities.

- Procedures for obtaining a licence prior to exploitation are very time consuming, particularly when outside the "Geological Resource Areas" delimited in the municipal land use plans;
- Adversities in opening new quarries or mines when the land use plan in force does not delimit "Geological Resource Areas";
- The land uses for geological resources are delimited on the basis of the available geological knowledge at a given time;
- Significant delays or discontinuities in updating data or information cause various difficulties and may compromise new investments or future expansions of existent operations;
- The new sectorial law includes some rules that can be misinterpreted, therefore constraining both the access to Public Domain Resources and the development of exploration surveys; this causes instabilities that are not compatible with long-lasting investments;
- Difficulties of access to some geological resources due to urban expansion; urban/infrastructure settlements which do not take geological resources into account, therefore causing their sterilization;

Proposed solutions:

A sectorial plan for mineral resources, updated whenever necessary and according with the geological knowledge evolution, is needed.

7. More governmental support required to strengthen investments: Institutional support from LNEG and DGEG is weakening due to the lack of financial and human resources.

Proposed solutions:

- The creation of the Mining Investor Assistance Office is missing;
- Increased capacity in the Mining authorities;
- Fiscal incentives for promote exploration investments are needed (Canadian example);
- A line of credit for financing advanced mining projects, just before the bankable feasibility phase, is missing (Finnish example).

The sector could be a pillar for reindustrialization and economic development of Portugal in the coming years, contributing not only to the economic growth but also to reduce the Portuguese external deficit and job creation.