Government Warned to Act Over Growing Risk to Material Supply as UK Approaches 'End of an Era'

Tuesday 8 July, 2014

- **Around 40% of manufacturers' operational costs are material costs - 75% of EU manufacturers have seen material costs increase since 2000**
- **In the last decade, commodity price volatility has been higher than at any other time in the last 100 years – average resource prices have doubled since 2000**
- **Demand is expected to rocket, but the UK's sources of essential materials are concentrated, with China the leading producer of 22 elements of strategic economic value**
- **At risk: in 2010 the EU deemed 14 materials to have supply risks – this has now increased to 20, all of which play a key role in manufacturing**[1]
- **Competitor countries are responding to the risk – the UK is in danger of being left behind.**

A new report out today by EEF, the manufacturers' organisation, warns the Government to act over escalating risks to the UK's supply of essential materials. It says that the global growth in middle-class consumers, increased demand for all commodities and an over-reliance on China for strategic supplies, is leaving the UK vulnerable. But, while other manufacturing nations have strategies in place to shield their economies from resource risks, the UK is lagging behind.

The report – *Materials for Manufacturing: Safeguarding Supply* – comes ahead of the Resource Association's annual conference (9th July), which will debate resource issues. It digs behind concerns raised by UK manufacturers that volatile material prices and security of supply pose a threat to growth and confirms that the UK does indeed face escalating risks.

Globally, the consuming middle classes are expected to swell from 1.8 billion people to 4.9 billion by 2030. Demand for all commodities is expected to rocket by 30 – 80% by 2030. However, the UK's supply of essential materials – ranging from silicon metal and rare earth elements through to coking coal - is concentrated. China is the leading supplier of materials to the UK, producing 22 of 38 elements of strategic economic value. These are minerals and metals that are vital to British manufacturing.

The report cautions that we are coming to the end of an era. During the 20th century resources became progressively cheaper and this underpinned global economic growth. At the same time, growing demand was offset by expanded supply and increases in productivity. This no longer appears to be the case – the past decade has reversed a 100-year decline in resource prices as demand for commodities has surged.

In 2010 the EU deemed 14 materials to have supply risks. This has now increased to 20 materials[1] and includes those used in consumer electronics and telecoms products, engineering/construction, agriculture, aerospace and steel and aluminium production, to name just a few of their end-use markets in Europe[1]. Competitor nations, such as Germany and the USA, have already implemented sophisticated resource strategies seeking to minimise supply risks, enhance resource productivity and regulate waste for economic value. The UK Government, however, has so far responded weakly.

EEF is now urging the Government to move to mitigate material supply risks by:

- Establishing an Office of Resource Management to strategically co-ordinate action across Whitehall
- Thoroughly and regularly assessing material supply risks and vulnerabilities
- Providing stronger incentives for resource efficiency to help overcome market failures
- Regulating waste so that we extract more economic value from what we discard.

Susanne Baker, Senior Policy Advisor at EEF, says: “As we approach the end of an economic era we cannot afford to be left underprepared and overexposed. Manufacturers have sounded the alarm over the growing risks to material supply and others are now picking up the clarion call. But while competitor nations are already taking evasive action, our Government is in danger of burying its head in the sand.

“Resource security is dynamic and complex. It requires a flexible response working in close cooperation with industry and other stakeholders. But key to this must be a joined-up, thought-through approach across relevant policy areas. Given how crucial material supplies are to the UK's wealth and economic stability, there is clear case for a new Office of Resource Management to act as a central hub of expertise, data and stakeholder liaison and to co-ordinate the UK's response to these risks.”

Media:

eef The manufacturers' organisation

Related Sectors:

Government :: Manufacturing, Engineering & Energy ::

Related Keywords:

Material Supply :: Safe Guarding :: Supply Risks :: EEF ::

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Notes to Editors:

1. See table attached

. More details:
http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/crm-critical-material-profiles_en.pdf

Source: European Commission (2014) *Report on Critical Raw Materials for the EU: Critical Raw Materials Profile.*http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/crm-critical-material-profiles_en.pdf

About EEF:

EEF, the manufacturers' organisation is the representative voice of manufacturing in the UK together with UK Steel. EEF has a growing membership of over 6,000 companies of all sizes, employing some 900,000 people from every sector of engineering, manufacturing, engineering construction and technology-based industries.

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