

**THE BUSINESS, INNOVATION AND SKILLS COMMITTEE INQUIRY INTO THE EXTRACTIVE INDUSTRIES SECTOR.  
WRITTEN EVIDANCE ON BEHALF OF THE CBI MINERALS GROUP**

**Introduction**

- i The CBI Minerals Group represents the minerals extraction industry within the United Kingdom including all major non-energy minerals and coal. The Group represents over 500 mineral extraction and related companies either directly through being members of the Group or indirectly through member trade associations.
- ii The approximate total value of minerals produced in the UK (including oil and gas) was £37.7 billion in 2011. The industry (excluding oil and gas) usually extracts between 220 and 350 million tonnes of minerals per annum from the UK landmass, directly contributes over £10 billion a year to the economy and provides direct and indirect employment around 80,000 people. It is essential to provide the raw materials on which many important industries depend. Minerals are the largest material flow in the Country.
- iii The purpose of this evidence is to highlight the important role of the UK based minerals extraction industry plays in supporting sustainable economic growth and that sustainable development is only achievable by ensuring an adequate and steady supply of all minerals.

**Executive Summary**

- The UK is fortunate to have such diverse geology which has endowed the country with a wide range of mineral resources that make us self-sufficient in most non-energy minerals. Abundant coal and hydrocarbon resources also remain.
- It is essential that there is an adequate and steady supply of minerals to provide the raw materials for infrastructure, buildings and goods that society, industry and the economy need.
- The UK has in the past supported an important metal mining industry. This sector is poised to make an important contribution to the economy once more.
- The indigenous mineral extraction industry is a major employer providing high quality jobs which are often in rural areas.
- In the non-energy minerals sector, the leading non-private extraction companies are almost exclusively listed overseas.
- High energy costs and a complex regulatory climate make the UK a less competitive place for the minerals sector to do business. Despite efforts by the government to streamline the planning and regulatory system, it remains cumbersome, time consuming and expensive.
- In its heyday, the UK underground coal industry was a key driver in providing the skills base for the extractive industries, but with its now virtual demise, the number of mining and related training courses has dwindled to very few.
- The level of engagement with NGOs and communities in the UK is excellent at both a local and national level. The industry makes an important contribution to biodiversity through the restoration of mineral sites.
- There has been no dialogue /consultation to date with leading UK based mineral companies about the scope and implementation of EITI.
- UK government should champion a UK Minerals Strategy which puts indigenous minerals extraction at the centre of its industrial strategy.

## Questions

### 1. What is the contribution to the UK economy of extractive industries in the UK?

- 1.1 The contribution that the indigenous minerals industry makes to the economy is highlighted in paragraph 142 of the National Planning Policy framework published by the Government in March 2012. This states:

*142. Minerals are essential to support sustainable economic growth and our quality of life. It is therefore important that there is a sufficient supply of material to provide the infrastructure, buildings, energy and goods that the country needs. However, since minerals are a finite natural resource, and can only be worked where they are found, it is important to make best use of them to secure their long-term conservation.*

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6077/2116950.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf)

- 1.2 This importance is restated in the *Resource Security Action Plan* published by the Government in March 2012. This states in paragraph 21:

*21. It is essential that there is an adequate and steady supply of minerals to provide the raw materials for infrastructure, buildings and goods that society, industry and the economy need. Government recognises that where there is increasing and unprecedented demand for new mineral resources, such as the 'speciality' metals vital for a range of high-tech applications and green technologies, further primary production will be necessary as there is insufficient recycle from end-of-life products to meet new demand.*

<https://www.gov.uk/government/publications/resource-security-action-plan-making-the-most-of-valuable-materials>

- 1.3 The UK is fortunate to have such diverse geology which has endowed it with a wide range of mineral resources making it self-sufficient in non-energy minerals. Abundant coal and hydrocarbon resources also remain.

- 1.4 The British Geological Survey Minerals UK website states that:

*The UK is an important producer of a range of minerals that are consumed in many sectors of the economy. Some 218 million tonnes of minerals were extracted from the UK landmass for sale in 2011. These can be broken down into the following main categories with percentages of total production in brackets:*

- *169 million tonnes (80%) of construction minerals*
- *23.3 million tonnes (11%) of industrial minerals*
- *18.5 million tonnes (9%) of coal*
- *0.7 million tonnes (0.3%) of oil and gas (oil equivalent)*

*A further 110.3 million tonnes, consisting mainly of oil and gas (oil equivalent), but also marine-dredged sand and gravel, were extracted from the UK Continental Shelf*

<http://www.bgs.ac.uk/mineralsuk/statistics/UKstatistics.html>

- 1.5 The UK has in the past also supported an important metal mining industry. This is poised to again make an important contribution to the economy and the security of supply of essential raw materials with the development of, for example, the Hemerdon tungsten mine in Devon and gold mining in Scotland.

***An example of supplies of critical materials in the UK – Hemerdon, Devon***

*Hemerdon is the fourth largest deposit of tungsten in the world. It is an example of the new opportunities for the UK to provide secure supplies of critical and economically crucial minerals for our economy from within our own significant and undeveloped resources. Tungsten is important as it is an essential mineral for use in cutting tools and for hardened steel. Currently almost 78% of the world's production of Tungsten comes from China. The annual production from Hemerdon will provide around 4% of global demand, meet the demand from within the UK and contribute towards exports. The mine will employ around 250 people directly, with additional indirect employment.*

Source:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/69511/pb13719-resource-security-action-plan.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69511/pb13719-resource-security-action-plan.pdf)

- 1.6 The Minerals Products Association (MPA) recently commissioned Capital Economics to assess the contribution the mineral products sector (principally minerals extracted to supply the construction sector) makes to the UK economy. The research concluded that the sector:
- *Makes a Gross Value Added (GVA) contribution to the UK Economy of over £4 billion pa – greater than creative industries such as film and video and not far short of motor vehicles and aerospace*
  - *Generates an annual turnover of £9 billion*
  - *Has labour productivity 2.5 higher than the national average*
  - *Supplies industries with a turnover of £400 billion*
  - *Is the largest supplier to the £120 billion construction industry*
  - *Pays over £1 billion of taxes annually*
  - *Employs over 70,000 people*
  - *Makes significant economic contributions throughout the UK*

Source: [http://www.mineralproducts.org/feature\\_ce\\_report.html](http://www.mineralproducts.org/feature_ce_report.html)

The MPA publication “*The mineral products contribution to the UK*” summarises these key facts: [http://www.mineralproducts.org/documents/MPA\\_MTL\\_Document.pdf](http://www.mineralproducts.org/documents/MPA_MTL_Document.pdf)

- 1.7 The contribution of the other sectors is less readily quantifiable. The statistics published by the BGS referred to above state that the approximate value of minerals produced in the UK (including oil and gas) was £37.7 billion in 2011. This figure is calculated on an ‘ex-works’ basis and does not take account of the down-stream added value.
- 1.8 BGS statistics show that the balance of trade in minerals and mineral based products in 2011 was £106.7 billion in imports and £84.7 billion in exports leaving a balance of trade deficit of £21.0 billion.

- 1.9 The national and regional contribution of the sector is more clearly demonstrated by looking at case studies:

Case Study 1: Cleveland Potash Boulby Potash Mine

*Cleveland Potash owns and operates a potash mine (Boulby Mine) on the north east coast of Yorkshire. The Company produces in the order of 3 million tonnes per annum (mtpa) of potash ore and refines this into 1mtpa of potash mainly used in the fertiliser industry. Although the Company produces enough potash to satisfy the UK demand, in practice they supply about half of this market with the remainder being imported from Germany, Russia and Canada. In order to access the potash ore deposit, the Company also mines rock salt, which occurs in association with potash, producing about 0.8 mtpa which is mostly sold to local authorities and highway authorities as de-icing salt.*

*The Company contributes £225M per year of economic activity as measured by product sales. They support many local small suppliers and service companies. Half their sales are overseas with approximate foreign earnings of £100M per year.*

*The Company employs approximately 900 persons in high quality jobs, and a further 150 full time contractor employees. All direct employees are employed at the Boulby Mine with a few based at the nearby export terminal on the River Tees. A socio-economic study carried out on behalf of the company concluded that they support approximately 4,000 up-stream and down-stream jobs with a predominantly regional impact.*

Case Study 2: Kier Minerals Ltd Greenburn Surface Coal Mine

*Kier Minerals Ltd (part of Kier Group Plc) currently own and operate a surface coal mine in the UK, the Greenburn Surface Mine, near New Cumnock in East Ayrshire. Reserves exist to continue until 2022.*

*By the end of August 2013 site had produced 5,492,000 tonnes of coal supplying English power stations by rail and contributing to an indigenous solution to UK energy security.*

*The Greenburn operation currently employs 151 hourly paid individuals and additionally 48 sub-contractors are permanently employed giving a total of 199. Of this total 84 live within 10 miles of the site and 116 live within a 15 mile radius. It is estimated that 160 indirect jobs and 234 induced jobs (jobs supported by employee spending) are employed. These figure are in the context of significant unemployment of 10.9% (April 2012 to March 2013) for East Ayrshire.*

*Kier have also contributed £1.54 million (end August 2013) into the local community trust which provides funding to local community projects and will continue to contribute on future production. Kier Group plc has established a Non-Vocational Qualification (NVQ) Centre at Greenburn. To date the Centre has completed 116 vocational qualifications in level 2 Plant Operations plus 6 supervisors achieving level 3 awards.*

### Case Study 3: Sibelco Kingsteignton (Bovey Basin, Devon) Ball Clay Operations

*The Devon Ball Clay operations provide a range of plastic clays unique in Europe and much of the rest of the world. The properties of these premium Ball Clays and the consistency of the blended products are very highly regarded globally, with exports to over 80 countries and the fact that more than 50% of the world's sanitary ware contains UK Ball Clay as an essential ingredient. There are few if any viable alternatives to the UK Ball Clay component in the UK and the EU sanitary ceramics industry. Sanitary ware producers regard the UK Ball Clays as essential to their production process. Similarly there are currently no viable substitute materials for Ball Clay in most other ceramic applications. The UK Ball Clay is of great importance with potentially in the order of 70-80,000 jobs at risk if the supply of ball clay is interrupted. (Source: DTI). Typically ceramic manufacturers cannot carry large stocks of Ball Clay and thus are highly dependent on the producers for frequent and uninterrupted deliveries.*

*The recently published National Planning Policy Framework reaffirmed the status of Ball Clay as a nationally important mineral in the context of the English planning system. This status is nothing new and has been consistently afforded to Ball Clay in the UK since the Government's Standing Conference in the 1940s, in part, due to its scarcity and limited distribution in the global context.*

*Sibelco's operations contribute some £15m to the local economy of Newton Abbot and sustain direct employment of over 200 people in the local area, together with a significant number of indirect jobs from servicing through to catering. The international trade in Ball Clay is also an integral element in sustaining Devon's local ports, particularly Teignmouth, with between 80 and 90% of extracted mineral being exported. The export of Ball Clay through Teignmouth consistently equates to circa 60% of the total annual tonnage through the docks, being almost twice the volume of the next highest tonnage (animal feed). (Source: Teignmouth Harbour Commissioners Financial Report: Y/E April 2011).*

*The £10m realignment of the B3193 Chudleigh Road currently being developed, will release approximately 3,500,000 tonnes (3.5mt) of consented premium grade plastic clays with an estimated 81% yield (average yield of Bovey Basin Ball Clays is circa 65%), over the next 22 years. However, the 3.5mt is only the first phase of development, with the existing B3193 currently sterilising an estimated total of 24mt of premium grade Ball Clay.*

- 1.10 Globally, the London Stock Exchange Group (LSEG) advise that listed extractive industry companies account for approximately 16 per cent of LSEG's markets by number of companies and 22 per cent by market capitalisation.
- 1.11 The development of the UK as a listing destination for extractive industry companies benefits the UK economy in many ways, including job creation, taxation, and strengthening the market – for example by increasing the diversity of the UK's capital markets - which benefits other listed companies and the wider financial services sector.
- 1.12 By forming part of a global extractive industries peer group, these companies attract specialised global investors, analysts and intermediaries to London, giving them access to a

global pool of investment capital. The UK's financial services sector also benefits from extractive industry companies choosing to list in London. Regardless of where a company is incorporated, it is likely to employ UK banks, legal firms and communications firms in its syndicate as it undertakes its IPO (initial public offering) process and whilst it is listed on the market. This provides a source of revenue and job creation for the UK's financial services sector.

1.13 Another way the listed and quoted extractive industry companies support the growth of the UK economy is through taxation. There are 196 UK-incorporated extractive industry companies on our markets. The LSEG estimates from these figures that extractive companies on their markets, as a group, pay £23 billion in domestic taxes – more than Government spending on transport or housing and environment for 2013/14

1.14 The contribution of UK listed global mining industry to the UK economy is also well documented in the recent UKTI publication UK – Delivering Global Mining Solution. This states:

*The UK has world leading expertise in all aspects of the mining lifecycle. This publication showcases a wide selection of capabilities and case studies from UK organisations, institutions, consultants, companies and experts. It demonstrates that UK companies have the depth, breadth and global reach to deliver expert, effective and profitable solutions throughout the mining lifecycle and beyond.*

<http://www.ukti.gov.uk/uktihome/search.html?sort=ByScore&search=UK+delivering+global+mining+solutions&sector=-1&country=-1&focusOn=-1>

**2. How does the UK based extractive industries support employment a) in the UK and b) for UK citizens overseas?**

2.1 The indigenous mineral extraction industry is a major employer in the UK often providing high quality jobs in rural areas both directly employed in the mining /quarrying operations but also in the downstream industries which depend on the minerals as their raw material. The MPA estimate that the mineral products sector alone employs over 70,000 people. It is estimated that the sector as a whole employs close to 80,000 people.

**3. Does UK industry benefit more widely from the UK's position as a centre for extractive industries i.e. in sales of machinery and services to international businesses in the sector?**

3.1 The UKTI report quoted in 1.14 above recognises the support the UK based extractive industries provides in all aspects of the mining lifecycle:

*The UK has world leading expertise in all aspects of the mining lifecycle. This publication showcases a wide selection of capabilities and case studies from UK organisations, institutions, consultants, companies and experts. It demonstrates that UK companies have the depth, breadth and global reach to deliver expert, effective and profitable solutions throughout the mining lifecycle and beyond.*

**4. Has the boom in London-listed extractive companies with businesses overseas over the last two decades resulted in a strengthening in the UK's competitive position in this sector?**

4.1 The Committee should be aware of the shape of the ownership of those companies engaged in the extraction of minerals in the UK.

4.2 In the non-energy minerals sector, the leading companies are almost exclusively non-UK listed. These include Cemex (aggregates and cement), St Gobain (Gypsum), Imerys (china clays and ball clay), Cleveland Potash (potash and rock salt), Sibelco (industrial sands and ball clay), Heidelberg (aggregates and brick clays), Holcim (aggregates), Sibelco (industrial minerals), Eurovia Group (construction products), Colas UK (construction products), Lhoist Group (industrial lime) and Lafarge Tarmac (aggregates, cement,) who are a 50:50 joint venture between Lafarge which is not listed in UK and Anglo American which is.

4.3 While there are numerous UK listed companies associated with the industry, those directly involved in extraction in the UK are limited to a handful. They include Breedon Aggregates, Kier Group and Marshalls.

4.4 Privately owned companies normally operating one or two units makeup up the remainder of the companies operating in the UK. These represent less than 20% of the market and are focused almost exclusively in the local aggregate supplies.

4.5 Despite efforts by the government to streamline the planning and regulatory system in the UK, it remains cumbersome, time consuming and expensive. The uncertainty and level of bureaucracy this creates acts as a disincentive for those operating in the UK to invest in new UK based operations.

4.6 The British Ceramic Confederation (BCC) has advised that UK operations of multinational companies in their membership have reported that they are finding it increasingly difficult to obtain money for capital investments as the payback is much quicker in many overseas countries. A major concern is the cumulative (energy + climate-related charges) costs which in the case of brick and clay roof tile manufacturers can be up to 35% production costs in the UK. The perceived lack of energy security – essential in continuous high temperature processes - has also deterred some companies in this sector from investments due to risk of damage to assets and / or uncertain business models with highly volatile prices. As a result brick and clay roof tile imports are increasing.

**5. What are the corporate governance concerns raised by the number of extractive industries companies listed in the UK? Are there reputational risks for the UK and UK financial institutions in being a centre for such businesses?**

5.1 Please refer to our answer to Question 9. It should also be noted, as stated in the answer to Q.4 above that the vast majority of the leading companies engaged in mineral extraction are non-UK listed.

**6. Is there sufficient engagement between UK extractive industries and the NGO sector? Are there examples of best practice in engagement between the extractive industries and NGOs?**

- 6.1 We believe the level of engagement with NGOs and communities in the UK is excellent at both a local and national level. Examples of the engagement are set out below.

**National Engagement - The UK Minerals Forum.**

- 6.2 The UK Minerals Forum was set by the CBI Minerals Group in 2006 because there was a perceived need to draw together all key stakeholders, to debate and inform government and the public on the prudent use, sustainable management and supply of UK minerals. The UKMF has a broad membership drawn from industry, regulators, NGOs and government who sit as observers. It holds regular meetings and convenes working groups to research and report on critical issues. We believe the Forum is a good example of best practice in engagement between all stakeholders who have an interest in the UK based extractive industry.

<http://www.bgs.ac.uk/ukmf/home.html>

**Local Engagement**

- 6.3 Engagement with local communities is enshrined within the land use planning legislation and the industry has for many years worked hard to be part of the local community rather apart from it. Many operators actively engage with their communities through regular open days, education initiatives and other forms of community engagements such as site specific liaison group involving local elected representatives, local residents and locally based NGOs. Further details on the statutory obligation to engage with local communities can be viewed at:

<https://www.gov.uk/government/policies/giving-communities-more-power-in-planning-local-development>

**Nature after minerals**

- 6.4 Minerals sites are often ideal for creating wildlife habitats such as wetlands, heath, grasslands and woods. The Nature After Minerals Programme is a partnership between Natural England and the RSPB, with support from the Mineral Products Association and the British Aggregates Association. The organisations are working with mineral planners and industry to help nature during and after minerals extraction. Together, they will make substantial contributions to priority habitats and species, in particular to the England Biodiversity Strategy 2020 targets and provide richer places for people to enjoy.

Further details can be viewed at:

<http://afterminerals.com/index.aspx>

**The Minerals Products Association (MPA) Biodiversity Strategy**

- 6.5 The MPA has developed a biodiversity strategy which promotes continuing good site management, restoration and after-use of minerals sites. This is expected to contribute significantly to the achievement of biodiversity priorities, particularly for more bigger, better and joined-up habitats, and MPA members have a unique role to play in this. They are also working closely with a range of organisations, including Natural England who sponsor the annual biodiversity awards.

[http://www.mineralproducts.org/sustainability/pdfs/MPA\\_Biodiversity\\_Strategy.pdf](http://www.mineralproducts.org/sustainability/pdfs/MPA_Biodiversity_Strategy.pdf)

- 7. Does the UK have the skills base to remain a centre for the extractive industries and to ensure that UK based businesses benefit from potential future opportunities such as shale gas?**

- 7.1 In its heyday, the UK underground coal industry was a key driver in providing the skills base for the extractive industries but with its now virtual demise the number of mining and related training courses has dwindled. The lack of this indigenous industry also means there



is reduced opportunity for students to gain practical experience or interest in mining operations.

- 7.2 The main university level mining related courses are now restricted to very few universities, such as Cambourne School of Mines, part of the Exeter University, and courses provided by Derby and Northumbria Universities
- <http://emps.exeter.ac.uk/csm/>
  - <http://www.northumbria.ac.uk/?view=CourseDetail&code=DTPSUM6>
  - <http://www.derby.ac.uk/courses/udc/minerals-management-bsc-hons/>
- 7.8 The Mineral Products Qualification Council (MPQC) was set up by the industry as a Awarding Organisation which offers a wide range of qualifications specifically designed for the quarrying, mineral products, mining and related manufacturing sector. They have qualifications suitable for personnel at all levels working in the extractive and mineral products and related industries.  
<http://www.mp-qc.org/>

## **8. What is the impact of the industry of the UK signing up to the EITI?**

- 8.1 The Minerals Group is surprised that there was no dialogue /consultation with its members who operate within the UK prior to the adoption of EITI in the UK. We understand that a multi-stakeholder group has been set up to oversee the implementation of EITI on which the Mining Association of the UK (MAUK) is represented. MAUK are members of the Minerals Group but we believe there is an urgent need for much wider representation of those actively involved in the extraction of minerals in the UK.

## **9. Would increased regulation for London listed extractives companies result in competition from elsewhere or can it be used to make the UK a centre of excellence for best practice and corporate governance?**

- 9.1 While the CBI Minerals Group focus is on principally on our indigenous extractive industries, it is clear from discussions with the London Stock Exchange Group that the UK's strong listing and corporate governance standards are vital for continuing to attract international companies to list here. Development of the UK's corporate governance regime has enabled London's markets to flourish. The UK is consistently ranked as having the world's strongest standards of corporate governance<sup>1</sup>. Indeed, the UK's listing and corporate governance regime has been replicated by financial centres around the world. Strong listing and corporate governance provides a stable base on which a company can operate, and also generates investor confidence in that company. Therefore strong corporate governance and listing standards are not just important for how a company is perceived by investors, they, they also have a bearing on a company's long term financial performance.
- 9.2 As a result of the nature of their business and the jurisdictions extractive companies frequently operate in, they are subject to additional due diligence and reporting requirements compared to companies in other sectors making them significantly more transparent and accountable relative to companies that remain private.

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<sup>[1]</sup> For an example of corporate governance rankings, see GMI Ratings, List of countries by corporate governance, 2010: [http://www.gmiratings.com/Images/GMI\\_Country\\_Rankings\\_as\\_of\\_10\\_27\\_2010.pdf](http://www.gmiratings.com/Images/GMI_Country_Rankings_as_of_10_27_2010.pdf)

- 10. What is the competitive landscape for the extractive industries in the 21st Century and is it in the UK's interest to remain a global centre for them?**
- 10.1 The UK remains a global centre but the Government should champion a UK Minerals Strategy which puts indigenous minerals extraction at the centre of its industrial strategy to ensure we do not lose that status.
- 10.2 We believe there is too much focus on short termism in government. There are long lead times, often at least ten years, to bring new mineral extraction operations on stream. They cannot be switched on and off and, once lost overseas, the industry and its support infrastructure will be very difficult to get back. The issue of unnecessarily "exporting the environmental impact" of extraction operations should also not be overlooked.
- 10.3 Resource efficiency and recycling will have an increasing importance to counteract increased security of supply issues. As acknowledged in the recently published report of the Circular Economy Task Force, this will not replace the continuing need for new secure reserves- refer to Section 2 "*recycling isn't enough*"  
[http://www.green-alliance.org.uk/grea\\_p.aspx?id=7179](http://www.green-alliance.org.uk/grea_p.aspx?id=7179)
- 10.4 Global demand for minerals will continue to increase and not all minerals can be recycled – potash used as fertilizer or salt for de-icing roads cannot be reused or recycled. Minerals are often physically and chemically changed in manufacturing process – for example the use of fluorspar in the chemical industry and limestone in the steel industry. Advances in technology are likely to require the use of exotic alloys which are impracticable to recycle.

**END 23.09.13**