Ensuring Africa’s Rich, Critical Minerals Endowment Crucial to Global Energy Transition is Leveraged to Promote SDG7 on the Continent

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Key findings from the event jointly hosted by the Africa-EU Energy Partnership (AEEP) and IEA at the Africa Pavilion during COP27 in Sharm el Sheik, Egypt on 15 November 2022.

SUMMARY

During COP27 the Africa-EU Energy Partnership (AEEP) hosted an event together with the International Energy Agency (IEA) at the Africa Pavilion on the topic “Ensuring Africa’s Rich, critical minerals endowment crucial to global energy transition is leveraged to promote SDG7 on the continent”.

The event on 15 November highlighted Africa’s rich endowment in minerals critical to the global energy transition. Panellists explored the role partnerships play in furthering the transition, and the benefits of working together towards a mineral-based energy transition. Speakers also addressed the need to develop and strengthen African economies, secure funding in uncertain markets, address weak regulation on the continent, secure the flow of revenues to local communities via good taxation systems, and the need to address corruption.
Introduction

Africa is a potential enabler of the energy transition through its natural resources, but locally contributions to the global transition must ensure that energy access is prioritised to achieve SDG7 and all SDGs more broadly. As Europe and Africa make headway on their energy transitions, the demand for critical minerals such as copper, cobalt, lithium, nickel, and diverse rare elements is expected to soar. Both continents must find ways to ramp up mineral supplies from a variety of sources, in a safe, responsible, and sustainable manner.

On 15 November 2022, the Africa-EU Energy Partnership (AEEP) and the International Energy Agency (IEA) held a joint event at COP27’s Africa Pavilion, during Energy Day, to address Africa’s potential as an enabler of the energy transition through its natural resources, including natural minerals, and the responsibility that comes with the production and processing of mineral projects.

The panel featured representatives from the International Energy Agency (IEA), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Natural Resource Governance Institute (NRGI), the International Council on Mining and Metals (ICMM), Extractive Industries Transparency Initiative (EITI), and the African Development Bank (AfDB).

The Role of Critical Minerals in the African Energy Transition

Following the introduction of the panellists, the moderator Crispin Zana, Senior Energy Advisor, AU-NEPAD, directed the panel’s attention towards the role of critical minerals in supporting the energy transition. Tim Gould, Head of Division for Energy Supply and Investment Outlooks, IEA, highlighted that as the energy transition moves ahead, it is natural that the demand for minerals is directed to solar panels, wind turbines, and especially storage batteries, which will be an important aspect of future power systems and mobility. It is therefore predicted that the global demand for critical minerals and rare-earth metals will increase fourfold.
Mr Gould added that as fossil fuels are replaced by renewable energy sources, policy makers must ensure that the current reliability towards gas is not exchanged for a future vulnerability towards cobalt, lithium, or other rare earths. John Lindberg, Policy Lead, ICMM agreed and added that a transition from a hydrocarbon-based economy to a mineral-based economy is not only a challenge for policy makers, but a valuable opportunity to raise a substantial majority of the human population out of energy poverty. Mr Lindberg said that a transition into a mineral-based economy can act as a catalyst for wealth generation and poverty alleviation across the African continent.

Mike Enskat, Head of Sector Infrastructure - Energy, Water, Mobility / Sector and Global Programmes, GIZ, underlined that energy actors must look beyond the critical minerals available today, towards a sustainable future for both Africa and Europe. Allocating money to the provision of energy access is a critical aspect of an African energy transition, remarked Sebastian Sahla, Policy Advisor – Energy Transition, EITI. He also underlined the extent to which the mining sector is energy intensive, and how policy makers must keep this in mind when moving towards a just energy transition.

Learning from Past Mistakes in the Mining Sector

During his intervention, Mr Gould remarked on the mistakes that have been made with African critical minerals in the past, and presented a mineral-powered transition as a huge opportunity to learn from the past and ensure minerals bring growth for many decades to come. Mr Lindberg supported the idea and added that partnerships will be a crucial component of making things right as the energy transition progresses.

Mr Sahla noted that as long as the benefits of the mining sector fail to flow to local communities, Africa risks replicating the mistakes from the past in the context of the energy transition. However, there is also an important role the mining sector can play in supporting local communities. Mr Sahla underlined that the mining sector should make sure that communities have access to the
information they need to understand how the sector is impacting them. He also underlined the importance of local communities having a meaningful voice in decisions that impact them. There should also be transparency around revenue flows so that governments can be held accountable for how they manage and spend the revenues. Only then will the mistakes from the past be redeemed.

**Partnerships can Enable a Mineral-Based Transition**

The panel highlighted the importance of partnerships to support the critical minerals development in Africa. Mr Enskat considered the role of the partnership between Africa and Europe and hailed the event as an important step to showcase the progress partnerships can make.

Due to the Russian invasion of Ukraine, the issue of diversifying energy markets and supply chains has been pushed to the top in the international agenda. However, the issue is no longer just about the energy sector, but rather a complex question that involves multiple agendas, explained Enskat. **Jerry Ahadjie**, Chief Minerals Officer, African Development Bank (AfDB) added that partnerships are key for overcoming the economic challenges the African energy sector faces.

**Ana Carolina Gonzalez Espinosa**, Senior Director for Programs, NRGI, highlighted the need to raise awareness from the international community about scaling up mineral production for the global energy transition. This also means creating awareness about challenges that arise in the mining sector, such as committing funding and financing, and addressing the risk of corruption.

**Challenges and Solutions for the Critical Minerals Development in Africa**

The panel then turned their attention to the challenges Africa faces in its mineral sector. Addressing infrastructure development, Mr Ahadjie explained that only 10% of land on the African continent falls within hundred kilometres of its coastline, compared to about 27% in Latin America. This means that that a number of deposits on the African continent are stranded inland because
mining projects are unable to absorb the full cost of the infrastructure development that is required. Mr Ahadjie also commented on the financial challenge the sector faces. He underlined the need to develop Africa’s stock exchange and strengthen its markets and access to investment. To that effect, African countries must collaborate and cooperate with multiple sectors, with the rest of the world, and with each other. Only then can they truly overcome the economies of scale, explained Ahadjie.

Referencing the NGRI’s “Strengthening governance of mineral value chains for the energy transition” report, Ms Gonzalez Espinosa said that the main challenge is funding, due to the uncertainty and reluctance from investors. Another important challenge is weak regulation on the continent, and the lack of transparency. She underlined the risk for corruption if regulations are not robust enough. However, enhanced transparency and good governance can heighten the attractiveness of investing in a country. Finally, she emphasised the role of disruptions. Mineral projects may cause significant disruptions to the communities around them, which is why revenues need to flow from the industry into local communities via good tax systems.

Looking ahead, Ms Gonzales Espinosa explained the need for a triple win as a tool to reach climate goals. The first win should be for the producing countries and communities, the second win needs to be for the global energy transition, and the third win needs to be for the environment.

Mr Gould supported the need for enhanced investment in Africa and highlighted the IEA’s work on listing countries according to their investment prospects. He explained that although the growth and demand of critical minerals and rare earths are very strong, investments have declined.
Mr Sahla continued by mentioning the Annual EITI report, which underlines the complexities of the mineral sector and finally noted that regardless of the approach taken, it needs to be underpinned by effective and accountable management of public finances, and strong government regulations.

Mr Ahadjie, referred to critical minerals as green minerals and proposed setting up community development agreements and green minerals development funds to prevent further mistakes in the African mining sector. He proposed continuous social and environmental assessments, as well as community consultation processes, as part of EITI’s ambition to prevent communities and the environment from being harmed by the activities of the mining sector. He also proposed that mining operations find ways to decarbonise their projects and make off-grid contributions for energy access for communities living near the mining sites.

**Leveraging Critical Minerals for SDG7**
Moderator Mr Zana finally directed the panel’s attention towards making sure the process of developing the critical minerals industry supports the achievement of SDG7. The panellists had varying views on the topic. Ms Gonzales Espinosa remarked the NRGI is discussing the topic extensively and see the critical minerals boom as an excellent opportunity for Africa to work towards SDG7, but also recognise that there is still much work and funding needed. Gonzales Espinosa additionally proposed measures to keep governments accountable for the use of resources in the mining sector and noted that the energy-intensive sector must be capable of adapting to the energy systems of the future, in line with climate goals, which are diverse, inclusive, and sustainable.

Gould remarked that he does not see a strong link between critical minerals and SDG7, but rather an overlap with multiple sectors and additional considerations, which are all working on creating value chains within and across Africa. He closed by highlighting how building value chains can be a source of energy, development, and other benefits for Africans. As the value chains grow, so too will the SDGs start to be implemented naturally.
Conclusions – Ensuring Africa’s Rich, Critical Minerals Endowment Crucial to Global Energy Transition is Leveraged to Promote SDG7 on the Continent

- **Critical minerals will represent an important aspect of developing power systems** as Africa moves towards a just energy transition. As their demand rises, policy makers must look towards a sustainable use and regulation of minerals to not create additional vulnerabilities.

- A mineral-based transition represents an opportunity to learn from past mistakes in the mining sector and use those lessons to create growth and development in the coming decades.

- **A critical mineral – based transition comes with many challenges.** It requires the development and strengthening of African economies, securing funding in uncertain markets, addressing weak regulation on the continent, securing the flow of revenues to local communities via good taxation systems, and addressing corruption concerns.

- Considering the complexities of the mining sector in Africa, **partnerships represent a valuable tool** to address growing economic and developmental challenges.

- Advancing a critical mineral – based energy transition can support the achievement of SDG7.

About
The Africa-EU Energy Partnership (AEEP) is Africa and Europe’s gateway for joint action on a green energy future. With an unmatched overview of the political processes and initiatives across both continents, the AEEP maps, monitors and convenes the actions and stakeholders that drive the African and European energy transformation. Providing a forum for political dialogue, knowledge sharing and peer connections, it enables Africa and Europe to make progress on their path to a sustainable energy future.

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