

**Speaking notes for Nolitha Fakude, Minerals Council South Africa President, at African Critical Minerals Summit
29 August 2023**

Theme:

Unlocking South Africa's critical minerals potential.
If it is not grown, it is mined.

As a prelude to any discussion on critical minerals outlook it is necessary that we understand what they are.

They are either a metallic or non-metallic minerals that a government has assessed to be strategically important to their nation in terms of energy security, the transition to a low-carbon economy, defence and national security, their industries and in the development of new technologies.

Recently, these have been linked to the support and enablement of societies to transition to low-carbon economies.

Each country has its own list of minerals it considers critical. While there are overlaps, there are important differences in these assessments.

Underlying those strategic reasons is the assessment of the security of supply and the potential for disruption to supply. Sourcing any critical mineral from a single source is regarded as highly risky.

An important consideration for countries and companies producing what are now regarded as critical minerals is that technological developments are incredibly rapid, with research going into alternative minerals to substitute or to shift to less expensive minerals, and to minimise exposure to single-source origin, or rare minerals, with the intention of reducing risk or boosting efficiencies.

So, what is considered a critical mineral today can quickly become not so critical based on demand and supply, which is an important consideration in developing national strategies and policies around critical minerals.

Countries are vigorously jockeying for position in the race for critical minerals, with governments pouring funds into exploration and production of these minerals or forming alliances and partnerships to ensure uninterrupted supply chains. No country can go it alone on critical minerals as extraction, processing, refining, and end-use technologies change or need large investments to ensure a saleable end product.

Artificial barriers to trade and investment also distort the market and serve to encourage research and development of alternative minerals and applications.

It is important to stress that national interests determine what are critical minerals.

Africa is undoubtedly one of the world's mineral treasure troves and as such we have an important role to play in the global shift into critical minerals. However, while we consider the obvious uses of critical minerals in our just energy transition, with solar, wind, and batteries, there is a far broader spectrum of applications we must consider. We must heed the lessons of the past and not be just a supplier of raw minerals.

Through strategic partnerships and investments, we must leverage our minerals endowment to attract new industries and businesses into the continent, creating jobs, encouraging skilled employment, the creation of wealth and a better life for all our citizens.

Africa has any number of industrial minerals that must be used to improve our infrastructure such as rail, roads, ports, water reticulation, and electricity transmission. These infrastructural requirements not only create a local market for our minerals, but they'll underpin our economic growth.

Productive agriculture through the smart use of fertilisers made with the phosphates we have is another example of the important minerals we have, and which will be critical for our future.

South Africa is rich in platinum group metals which are essential in the establishment of a green hydrogen economy. Work has started in the Minerals Council and in the Energy Council with their member companies to determine the role the mining industry can play in the green hydrogen economy and how it can best use the clean source of energy to decarbonise its operations.

It is essential that research, development and innovation into new technologies and the best use of our mineral endowment is encouraged. This needs partnerships between the government, academia and the private sector to pool our intellectual capital through incentives, subsidies and support. We cannot afford to be left behind or start late in the global race for a greener future or smarter uses of our minerals.

If we consider this graph compiled by Bloomberg, we can see how concentrated the production of a broad range of key minerals is, with a handful of countries dominating the supply of the minerals used in battery technologies and clean energy applications and transmission. As can be seen in these two graphs, China is a big player in refined supplies of the eight minerals on the right, but it is not as dominant as a primary source of those eight minerals.

Although China is a dominant player in minerals important to the energy sector, the supply of critical minerals is a global matter as can be seen in the sources of critical minerals to the European Union. The one continent that is perhaps not as engaged as it could be is ours, Africa.

While Africa is an important source of minerals like cobalt, copper, manganese, platinum group metals and others, we are not yet at our full potential as we do not extract, process and refine to full capacity. It is a huge opportunity for beneficiation strategies, which is at the heart of industrial strategies.

There are simply not enough exploration dollars going into exploring our continent and the trend since 2011 has declined rather than grown. From more than 10% of the global share of exploration, we are now well below 9%. Copper has been an obvious target for prospecting, and it has underpinned the flow of exploration funding into the continent. Also, the search for PGMs, nickel, zinc, cobalt, rare earths and lithium have been the main focus for exploration over the past decade.

If we narrow that graph down to just South Africa, the decline in the country's share of global exploration spending is dramatic, falling to less than 1% -- as can be seen in the past three years -- from more than 5% in 2004. This is extremely worrying for the mining industry, its future, the jobs we have, the communities that could benefit, and the fiscus. Every ounce or ton taken out of the ground must be replaced through exploration otherwise the industry will eventually cease. Mining is critical to our greener future. South Africa must not be left behind. Unlocking exploration is a game changer.

We must address some of the underlying causes for the decline in exploration. Of importance is that we have a functional, transparent, off-the-shelf cadastral system that is loaded with geological maps and reduces human intervention and corruption to a minimum. South Africa is lagging the world in the digital management of its minerals, and it is urgent that we have a proven system as soon as possible.

Secondly, the backlog of more than 5,000 mining, prospecting and permit applications in the DMRE has been a long-standing blockage to investments in exploration and mining project developments.

Investors making long-term decisions about where to put their money demand a stable, predictable regulatory environment with the minimum of red tape and bureaucratic delays.

We note the DMRE has started a review of the Mineral and Petroleum Resources Development Act with the intention of amending the Act.

The Minerals Council will interact closely with the regulator to ensure South Africa has the best possible regulations that will attract investment, stimulate job creation and encourage inclusive, sustainable economic growth of the sector.

The Minerals Council and the DMRE are working together on tax incentives proposals for National Treasury to consider implementing to encourage investment in exploration. This is in its very early stages, but we've seen the success stories in jurisdictions like Canada, Australia and others where tax incentives have contributed to the discovery of new minerals and strong mining industries.

The Minerals Council through Business For South Africa is working closely with organised business in the three partnerships with the Presidency and various ministries to address logistics, energy and crime and corruption. Business sees these three issues as the key issues that are constraining the economy and contributing to negative perceptions about South Africa as an investment destination.

While it is still early in the processes, we are encouraged by the response from the government to the partnerships. Business is willing to play its part as a partner, with its resources and skills, to address these three areas along with the relevant ministries and state-owned entities.

We have seen significant structural reforms in the energy sector so far, with the private sector playing an important role in the development and installation of renewable energy sources.

Private sector participation in rail and ports will unlock the bottlenecks that are costing the economy billions of rands in lost exports and imports.

The private sector stands ready to engage the government on its critical minerals strategy, with investor friendly policies and decisions around the definition of critical minerals and understanding the market forces driving current and future demand for these minerals.

We are clear that South Africa must use its minerals to the benefit of its citizens, to improve their lives, create jobs, encourage education and skills development, and to create a thriving economy.

Further, South Africa must leverage its partnerships with the rest of the African continent to identify synergies that will benefit every one of us.

The African Mining Vision that Minister Mantashe referred to must be praised.

The role of strategic partnerships of local and foreign investments in the exploration, extraction, processing and industrialisation of these minerals must be encouraged through business-friendly regulations and policies.

South Africa, which for decades was known as the world's largest gold producer, is host to other fabulous mineral deposits, with the biggest known resources of PGMs, chrome and manganese. The list is extensive.

Our mineral deposits tend to lie inland and far from ports and industrial hubs. The need for efficient and productive railways cannot be understated when it comes to the movement of bulk minerals. It is cheaper and more environmentally friendly than road transport, which destroys the country's roads and causes enormous disruptions to communities and other road users.

Our ports serve both the Indian and Atlantic oceans, giving us access to markets in the east, west and north.

The development of an electricity transmission network as well as investments in renewable energy sources, particularly in the remoter parts of our country are equally as important.

The map of our country shows the concentration of deposits in the northeast of South Africa. The Northern Cape is a truly unexplored frontier, with zinc and copper deposits coming into production and rich prospectivity for other minerals.

Mining can be a catalyst for economic growth and development. Infrastructure development unlocks that growth, jobs and innovation.

In conclusion:

Security of supply is key. Partnership and collaborations will unlock value from our critical minerals for the continent.

To unlock our potential, we must urgently revitalise exploration through a new, transparent, off-the-shelf cadastral system, and resolve the mineral rights backlog. Exploration dollars will be a game changer.

Research and development will lead to enhanced innovation, with ESG an important consideration.

The creation of a predictable regulatory and policy environment is vital. The development of a coherent critical minerals strategy is important. Bold policy shifts are required.

Encouraging investment is needed not only in the search and mining of critical minerals, but also in the creation of industries to use these minerals to the benefit of all Africans, and to position us as a strategic partner for other countries needing these minerals.

Africa must not be left behind in this transition.

We are sitting on a treasure chest of mineral wealth. We must just open it and use it wisely to continue #MakingMiningMatter.

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