MINERALS COUNCIL
SOUTH AFRICA

MEDIA STATEMENT

MINERALS COUNCIL POSITION ON BENEFICIATION OF SOUTH AFRICA'S MINERALS

Johannesburg, 24 July 2024. The Minerals Council South Africa notes comments by Gwede Mantashe, Minister of Mineral and Petroleum Resources, that the government should intervene through a range of measures to encourage value-addition or beneficiation of the country's minerals to boost employment.

In a speech that was delivered as part of the debate on President Cyril Ramaphosa's opening of parliament address, Minister Mantashe said these measures could include taxing primary mineral exports, an incentive scheme for beneficiation processes, such as a finite tax holiday, or an electricity tariff linked to commodity prices.

The Minerals Council, whose members account for 90% of South Africa's annual mineral production by value, supports beneficiation where the economics make sense. Therefore, we welcome the call for a more conducive policy environment for beneficiation processes.

However, we stress the need for careful and strategically informed consideration of an export tax or other restrictions on primary (raw) mineral exports, says Mzila Mthenjane, CEO of the Minerals Council.

Under conditions where South Africa does not have a comparative advantage to beneficiate a certain mineral - such as specific technical expertise in a particular field of beneficiation, abundant, cheap electricity, a modern, cost-competitive manufacturing base, or globally competitive labour - the unintended consequences of export restrictions may entail lower mining production as the returns on primary extraction are eroded.

Local and offshore interest may be curtailed in investing in exploration and existing mining operations generally, and specifically for those minerals suitable only for the export market or where there are committed supply contracts in place. In contrast to the stated aim of increasing employment through beneficiation, these adverse impacts will negatively affect existing jobs and new employment opportunities, the fiscus through reduced taxes, and current account balances, and South Africa's relevance in global commodities markets.

Because of the risks involved, careful consideration must be given to commodities where beneficiation makes economic sense given our geographical location relative to markets and comparative advantages of our rich geological endowments, and the beneficiation processes in South Africa or neighbouring countries that make up the Southern African Development Community.

"In addition, our favoured approach to encourage beneficiation would include, *firstly*, a coherent, efficient and stable regulatory environment that encourages investments in exploration, through transparent and expedited processes leading to the construction of new mines and expansion of existing operations for a longer life and sustainable jobs," says Mr Mthenjane.

"This will unlock significant growth opportunities for South Africa, expanding its role into the production of critical minerals and supply to enable the transition to a low-carbon future, both domestically and abroad. *Secondly*, protecting existing beneficiation activities such as precious metals refining, ferrochrome, manganese alloys and steel manufacturing, which will be critical to developing a nation-wide 'construction site' as Mr Ramaphosa says, and inclusive economic development to create jobs."

South Africa urgently needs pragmatic, investor-friendly policies that will drive the re-industrialisation of our economy to attract domestic and foreign investment and skills. The constraints on the mining industry and the broader economy from the more than six-fold increase in electricity prices since 2008, as well as erratic power supply have negatively affected beneficiation, particularly in energy-intensive industries like ferroalloy smelting, resulting in a withdrawal and the demise of many industries.

Absent these basic reforms, an attempted development of a critical minerals mining sector will be just as constrained as the existing minerals that South Africa produces under prevailing legislation and uncoordinated priorities amongst the DMPR, the departments of Water and Sanitation; Forestry, Fisheries and the Environment and Agriculture; and Land Reform and Rural Development, to name a few.

The Minerals Council and its members participate in the National Energy Crisis Committee (NECOM) and the National Logistics Crisis Committee (NLCC) structures under the auspices of the Presidency to stabilise electricity and transport services and to encourage structural reforms that will allow for greater private sector participation in those areas. Notable progress has been made in electricity generation, while the operational performance of rail and ports have yet to gain similar traction.

The Minerals Council favours a “carrot” as opposed to a “stick” approach to achieving higher levels of mineral beneficiation in South Africa. This would entail removing the binding constraints that have curtailed mineral beneficiation since the onset of the electricity crisis more than a decade ago, while at the same time creating a more conducive policy environment for primary mineral extraction. With no guarantees that it will boost beneficiation, the “stick” approach of export taxes will hurt the primary mining sector. This will undermine the pursuit of inclusive economic growth, the stated primary objective of the government of national unity.

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