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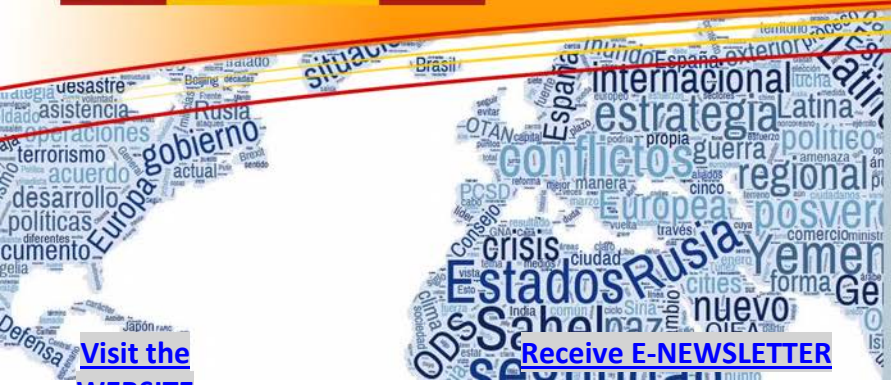
The EU and Africa's mineral wealth: the cake is shared and a slice must be achieved



The EU and Africa's mineral wealth: the cake is shared and a slice must be achieved

Abstract:

With the entry into force of the Critical Raw Materials Act, the European Union (EU) aims to strengthen value chains, diversify supply sources, improve capacity to monitor supply risks and improve sustainability.

The EU needs to reduce dependence on single sources of minerals essential for the green and digital transitions and to do so it needs to strengthen its relations with producer countries.

With their wealth of untapped mineral and energy resources needed for the green and digital transition, African nations are increasingly attracting the attention of major powers such as the United States, Russia, the European Union, India, Japan and Australia, which are seeking to carry out their projects in the face of the consolidated presence of China on the continent. The struggle for resources on the continent is not commercial, it is geopolitical.

Keywords

Critical minerals, rare earths, Africa.

La UE y la riqueza mineral de África: el pastel se reparte y hay que conseguir una porción

Resumen:

Con la entrada en vigor de La ley de materias primas fundamentales la Unión Europea (UE) pretende fortalecer las cadenas de valor, diversificar las fuentes de suministro, mejorar la capacidad para monitorizar los riesgos del mismo y mejorar la sostenibilidad. La UE necesita reducir la dependencia de fuentes únicas de minerales esenciales para las transiciones ecológica y digital y para ello necesita fortalecer sus relaciones con los países productores.

Por su riqueza en recursos minerales y energéticos sin explotar, necesarios para la transición ecológica y digital, las naciones africanas están atrayendo cada vez más la atención de grandes potencias como Estados Unidos, Rusia, la Unión Europea, India, Japón y Australia que buscan cómo llevar a cabo sus proyectos ante una presencia consolidada de China en el continente. La lucha por los recursos en el continente no es comercial es geopolítica.

Palabras clave:

Minerales críticos, transición energética, África.

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Introduction

The secure supply of certain raw materials needed for the economy of the future and digitalisation is currently one of the most important challenges facing the global economy. Over the coming decades, the demand for certain strategic materials needed for the energy and digital transition is expected to increase significantly, while supply may not increase at the same rate. As UN Secretary-General Antonio Guterres has stated: "A world powered by renewables is a world hungry for critical minerals"[1].

The Covid-19 pandemic, the war in Ukraine and the paralysis of maritime trade have highlighted the vulnerability of the supply chains of the globalising economic process that has emerged over recent decades. If we add to this the restrictions on exports[2] – for reasons of national security – of critical raw materials and associated technologies resulting from technological competition between the USA and China, the result is an uncertain economic environment that is increasingly driven by geopolitics.

The energy transition has given way to a strategic competition among states to secure their supply chains for the minerals needed to make the transition. At COP28, governments agreed to triple renewable energy capacity by 2030 and there is no pathway towards achieving this target without a significant increase in the supply of critical minerals for the energy transition.

In this context, many countries have adopted policies to ensure their supply of critical raw materials and associated technologies is secure and sustainable in an attempt to lessen their dependence on China. Otherwise, they run the risk of losing competitiveness in the energy and digital transition. For example, the USA has passed the Inflation Reduction Act of 2022 (IRA) and to counter it the EU has developed a series of initiatives under the Green Deal Industrial Plan[3]. In addition to the reform of the configuration of the electricity market[4] and the Net Zero Industry Act (NZIA)[5], the recently approved Critical Raw

[1] https://news.un.org/en/story/2024/04/1149066
Note: All hyperlinks are active as of 20/5/2024.
[2] HIDALGO GARCÍA, Mar. *Restrictions on trade in critical minerals: towards global geoeconomic fragmentation*. IEEE Analysis Document 10/2024.
https://www.ieee.es/Galerias/fichero/docs_analisis/2024/DIEEEA10_2024_MARHID_Restriccio nes.pdf
[3] https://www.europarl.europa.eu/thinktank/es/document/IPOL_IDA(2023)740087
[4] https://www.consilium.europa.eu/es/policies/electricity-market-reform/
[5] https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/green-deal-industrial-plan/net-zero-industry-act_en

Materials Act must be added[6]. This is intended to create a regulatory environment conducive to improving the competitiveness of European industry and achieving the EU's climate and digital objectives.

With the Critical Raw Materials Act, the EU seeks to improve the capacity to monitor and mitigate the risks of structural dependencies on foreign supplies of certain strategic raw materials. These raw materials are essential not only for progress in decarbonisation and digitalisation, but they are also necessary in strategic sectors such as defence and aerospace.

The EU needs to bolster its engagement with trusted partners to develop and diversify investment in critical raw materials and their value chains, promote stability in international trade and strengthen legal certainty for investors. In particular, the EU will seek mutually beneficial partnerships with emerging markets and developing economies, notably in Latin America and Africa, particularly in the framework of its Global Gateway strategy[7]. All this will be done amidst a complex geopolitical environment of growing tension between the USA, Russia and China.

The Critical Raw Materials Act: ambitious and necessary

In line with its climate and sustainability commitments, the EU established the European Green Deal as the path for the EU economy to emerge from the Covid-19 pandemic crisis[8]. This commitment to the energy transition and decarbonisation has been strengthened by the RePower initiative, which emerged in the wake of the war in Ukraine and aims to move towards greater energy independence from fossil fuels, the Fit55 initiative, which sets the target of reducing greenhouse gas emissions by 55% by 2030, and the Green Deal Industrial Plan, with which the EU is determined to lead the clean technology revolution. Three legislative initiatives have emerged from this Plan. The first was the Net Zero Industry Act, which aims to attract investment and create better conditions and market access for clean technologies by simplifying the regulatory framework. This Act has been joined by the European Union's electricity market reform

[6] https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/green-deal-industrial-plan/european-critical-raw-materials-act_en
[7] https://ec.europa.eu/commission/presscorner/detail/es/ip_23_1661
[8] https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_es

aimed at driving the electrification of energy demand and, more recently, the Critical Raw Materials Act.

Since 2011, when the list of critical raw materials was first set out, the EU has developed initiatives to address the growing imbalance between supply and demand for minerals and the entire production chain of technologies related to decarbonisation and digitalisation. The Critical Raw Materials Act provides the missing regulation – of a strategic nature – required to build investment confidence and mitigate the risks of disruption to the supply chain of the raw materials necessary for the energy transition and the digitalisation of economies.

With the entry into force of the Raw Materials Act, the EU aims to strengthen value chains, diversify supply sources, improve capacity to monitor supply risks and improve sustainability. To this end, a number of objectives have been set which can be considered ambitious in view of the EU's dependence on foreign sources. The list of relevant raw materials has also been updated, of which 17 have been identified as strategic because they are essential not only for the green transition, digitalisation, aerospace and defence, but also because demand is expected to increase, but their production cannot increase at the same pace.

Regarding the objectives set out in the Critical Raw Materials Act, it is established that by 2030 10% of annual EU consumption should come from the mining sector within the EU, at least 40% should come from materials processed within the EU and 25% from recycling. For imports, a maximum of 65% dependence on a particular third country is set. This target is particularly ambitious given that 97% of magnesium supply to the EU comes from China, 100% of rare earths used for permanent magnets are refined in China, 98% of borate supply to the EU comes from Turkey and 71% of platinum is supplied by South Africa[9].

In order to implement the Act, the European Critical Raw Materials Board (Art. 34 of the European Critical Materials Act) is created. The Board's tasks will focus on project financing, circularity, exploration of new deposits, storage, risk monitoring and promoting

[9] https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/green-deal-industrial-plan/european-critical-raw-materials-act_es#:~:text=Objetivos%20de%20la%20Ley%20Europea%20de%20Materias%20Primas%20Fundamentales&text=consolidar%20las%20cadenas%20de%20suministro,mutuamente%20beneficiosas%20con%20terceros%20pa%C3%ADses

public awareness of the challenge of strategic materials. The Board is also intended to provide support in assessing strategic projects, as well as coordinating partnerships with countries with common interests.

The challenges of implementing the Critical Raw Materials Act are neither few nor easy as trade in these strategic raw materials is increasingly governed by geopolitics. Although the EU will rapidly improve its internal mining capacity by opening new deposits and increase the circularity of strategic minerals, the reality is that the EU will remain dependent on external supplies as some of these minerals are not present on European territory, such as cobalt and nickel, which are necessary for battery production.

Global supply chains for critical raw materials are becoming increasingly contested. For the EU, the risk of not seriously addressing secure and sustainable access could lead to a spiral of deindustrialisation and a decline in its competitiveness that would push it further away from the world's leading economies.

The deindustrialisation of the European economy is particularly worrying in the case of Germany, which had maintained its economic and productive strength thanks to low Russian gas prices[10]. Peter Buchholz, head of the German Mineral Resources Agency (DERA) describes the current situation as one of systemic competition: “The race for raw materials is also a race for our future prosperity”[11].

The EU has lacked the strategic vision needed to set priorities in order to guarantee its autonomy in raw materials. One example is gallium, which is essential for the semiconductor industry. Germany stopped producing it because production in China was much cheaper and environmental standards are more lax. Now China, with all the knowledge it has acquired, not only dominates production but, for security reasons, has implemented export restrictions, triggering a chip war[12]. Supply chains are thus becoming a geopolitical weapon.

The situation in Europe contrasts with that of the USA, where the Inflation Reduction Act (IRA) offers USD 369 billion in tax breaks over ten years for domestic production of electric vehicles, batteries, hydrogen or solar panels. The German company

[10] https://www.politico.eu/article/rust-belt-on-the-rhine-the-deindustrialization-of-germany/
[11] https://www.spiegel.de/international/business/the-global-competition-for-raw-materials-europe-at-risk-of-losing-the-lithium-race-a-bcbb3566-36ed-491d-bfac-3756ffee638e
[12] https://www.bbc.com/news/business-66118831

Vacuumschmelze (VAC) is working with General Motors to build a facility in the USA to manufacture rare earth permanent magnets to support the growth in production of electric vehicles[13]. Until now, the largest magnet producer in the western world has been in Germany[14]. In the near future, it will most likely be in the United States.

Although domestic mining on EU territory emerges as part of the solution to supply risks, its development is not without difficulties. The EU's potential to increase its extraction, processing or recycling capacities remains underexploited. In all Member States, knowledge of mineral deposits often dates back to a time when critical raw materials were not the sought-after resources they are today. Difficult access to finance, lengthy and complex permitting procedures and lack of public acceptance, as well as potential environmental concerns, are sometimes major impediments to the development of critical raw materials projects. While sustainable mining can be achieved, it is more expensive and may lead to projects being unprofitable and a continued reliance on imports. Another factor to take into account is the long time required for the development of a mining project, which can take over ten years. In this time frame, there is a risk that deposits may turn out to be smaller than expected. The political framework may change or global market prices may fall, collapsing the return on investment of mining operations.

Therefore, the objectives of the Raw Materials Act can only be met if the EU and its member countries work with like-minded partners around the world to help expand their extraction and processing capacities. In the future, most value creation will take place in regions rich in raw materials. Therefore, trade agreements and commodity partnerships are needed to secure access to resources. The situation is urgent[15].

A new EU perspective towards Africa

The race to find and exploit new strategic mineral deposits is intensifying in several regions of the world, including Africa. With their wealth of untapped mineral and energy resources needed for the green and digital transition, African nations are increasingly attracting the attention of major powers such as the United States, Russia, the European

[13] https://news.gm.com/newsroom.detail.html/Pages/news/us/en/2021/dec/1209-vac.html
[14] https://www.reuters.com/world/europe/exclusive-eu-considers-help-rare-earth-magnet-production-sources-2021-08-23/
[15] https://www.scielo.cl/scielo.php?script=sci_arttext&pid=S0719-09482023000100211

Union, India, Japan and Australia, which are seeking to carry out their projects in the face of the consolidated presence of China on the continent. The struggle for resources is not commercial, it is geopolitical.

Africa is home to about 90% of the world's critical minerals needed for renewable energy production, such as cobalt, chromium, platinum, aluminium and uranium. Africa's lithium production is expected to almost triple in 2024 compared with the previous year[16].

Sub-Saharan Africa is estimated to hold 30% of the world's critical mineral reserves, including deposits of lithium, cobalt and copper, which are crucial for the fourth industrial revolution. This presents huge opportunities for global partnership and investment[17]. In particular, the Democratic Republic of Congo (DRC), Tanzania and Zambia have huge reserves of these three minerals and have become a new arena of strategic competition between China, the US and the EU.

In 2023, Africa contributed 4% of global lithium production, but this year it is expected to account for 10% of global supply. Most of the increase in supply is expected to come from Zimbabwe. The country is estimated to produce 3,400 tonnes in 2023, which places it among the seven largest producers worldwide[18]. This significant increase is largely due to increased Chinese investment in the continent. Chinese companies have a virtual monopoly on lithium extraction in Africa, with more than 90% of the continent's projected lithium supply this decade coming from projects partly owned by Chinese entities[19].

China has transformed global supply chains, but also international diplomacy, leveraging its success to become the leading trade and development partner for emerging economies in Asia, Africa and Latin America.

This Chinese strategy has been hugely successful in Africa and has also yielded favourable results. In the Democratic Republic of Congo (DRC), which supplies 70% of the world's cobalt, Chinese companies own or have stakes in almost all of the country's producing mines. Chinese mining and battery companies have invested USD 4.5 billion in lithium mines in the past two years and are behind much of Africa's lithium projects in

[16] https://source.benchmarkminerals.com/article/can-africa-fill-the-eus-critical-mineral-deficit

[17] http://grupodeestudiosafricanos.org/cms/wp-content/uploads/2014/11/GARC%C3%8DA-LUENGOS-2012-Recursos-Naturales-Desarrollo-Africa-Subsahariana.pdf

[18] https://www.mining.com/africas-lithium-supply-to-triple-this-year-benchmark-minerals/

[19] https://source.benchmarkminerals.com/article/china-set-to-dominate-african-lithium-production-this-decade

countries such as Namibia, Zimbabwe and Mali. It is estimated that China could secure one third of the world's lithium mining capacity by 2025[20].

China has invested around USD 22.4 billion across various critical economic sectors in Central Africa. 80% of all Chinese lending and investment across this region has been invested through the other financial flows system, which is not connected to the US-led international financial system, making it extremely difficult to trace this Chinese cash flow and investment. This is why China's state-owned and private companies dominate 85% of the global mineral processing industry. In addition, Chinese companies have a significant share or full control over more than 65% of the world's currently active reserves of all types of minerals[21].

The reality is that China and Africa have forged a strong economic relationship[22]. However, the relationship can be considered unequal as the wealth generated has not had an impact on increasing the development of local populations.

As Europe and the US rush to challenge China's dominance of the African minerals market, the question arises whether they will succeed or whether they are too late. A growing number of states have shown an interest in establishing strategic trade relations guided by the weight of geopolitics. For example, the United Arab Emirates investment platform F9 Capital Management has partnered with South African mining company Q Global Commodities to inject USD 1 billion into South Africa's mining exploration and development[23]. Japan and the UK have also committed USD 3.7 billion jointly to critical mineral production in Africa, exemplifying the growing investor interest in Africa's mineral wealth[24].

Russia's growing influence in African countries and its focus on critical minerals pose significant challenges for the West. In a historic announcement on 16th March this year, Niger declared an immediate cessation of military cooperation with the USA. The country annulled a military agreement allowing the presence of US bases on its territory. While lithium and gold mines are clearly relevant, in Niger the Russians are striving to obtain

[20] https://www.usip.org/publications/2023/06/challenging-chinas-grip-critical-minerals-can-be-boon-africas-future

[21] https://www.orfonline.org/expert-speak/the-lobito-corridor-the-west-s-bid-against-chinese-domination-in-central-africa

[22] https://www.imf.org/en/Publications/WP/Issues/2024/02/23/Navigating-the-Evolving-Landscape-between-China-and-Africas-Economic-Engagements-545104

[23] https://waya.media/uaes-f9-capital-qgc-partner-to-invest-us1b-in-producing-green-metals-in-sa/

[24] https://allafrica.com/stories/202405140040.html

concessions for access to uranium mines by evicting French companies with the added risk that the uranium could find its way to Iran thanks to Russian support[25].

Russia's involvement in African mineral extraction goes beyond traditional mining operations. Russia has established fresh military and political alliances to reduce Western influence in African nations. Specifically, Russia offers “regime survival packages” in exchange for natural resource extraction rights, bolstering its geopolitical position[26]. In addition, part of its strategy lies in forcing the change of mining legislation in West Africa, with the ambition of evicting Western companies from an area of strategic importance[27]. For example, in Mali, new rules allow the Malian government to have a 10% stake in mining projects and the option to buy an additional 20% within the first two years of commercial production. A further 5% stake could be ceded to locals, which would raise Malian state and private participation in new projects to 35% from the current 20%. That process has already caused one Australian lithium mine to suspend trading in its shares, citing uncertainty over the implementation of this legislation[28].

Even though China and Russia can be considered major barriers to entry into the African mining sector, they are not insurmountable. This is the view of the EU and the USA, which are trying to promote their presence in the mining and infrastructure sector in Africa in order not to be left behind in the energy and digital transition.

Africa's geographical proximity makes it a key partner for Europe. Africa's population is expected to reach 2.5 billion by 2050[29]. This will present promising trade and investment opportunities, while also posing critical challenges around security and stability. The EU therefore has a vital economic and security interest in a stable and increasingly prosperous African continent.

To foster these relations, the EU must be perceived as a reliable agent, and to this end, the economic and strategic interests of access to raw materials must be aligned with a

[25] https://english.aawsat.com/world/5016531-western-fears-arise-iran%E2%80%99s-access-nigerien-uranium-russian-support
[26] Russia offering African governments “regime survival package” in exchange for resources, research says | Royal United Services Institute (rusi.org)
[27] https://www.bbc.com/news/world-africa-68322230
[28] https://www.reuters.com/world/africa/mali-adopts-new-mining-code-boost-sectors-contribution-gdp-mines-ministry-2023-08-08/
[29] https://www.statista.com/statistics/1224205/forecast-of-the-total-population-of-africa/#:~:text=According%20to%20the%20forecast%2C%20Africa%27s,as%20the%20most%20populous%20countries

foreign policy consistent with these interests[30]. With this in mind, and following the example of China's BRI, which has enabled it to establish relations with resource-rich countries and create an infrastructure network to connect with their industry, the EU intends to use its Gateway initiative to diversify its supply of raw materials. One of the first steps in this initiative is that African and EU leaders have committed to invest EUR 150 billion to boost smart, clean and secure connections in the digital, energy and transport sectors, as well as to strengthen health, education and research systems in Africa[31].

The EU should promote its commercial diplomacy, i.e., use diplomatic means to support commercial activities [32]. Unlike China's and Russia's strategies, the approach to accessing raw materials from the African continent is based on local value creation, increased sustainability and respect for human rights.

Since 2021, the EU has initiated a series of partnerships with African countries by signing a Memorandum of Understanding (MOU), which should then be translated into concrete measures. In addition to the agreements signed between the European Commission and the Democratic Republic of Congo, Namibia and Zambia, particularly noteworthy is the one signed between the European Commission and the United States Government with the Governments of Angola, the Democratic Republic of Congo and Zambia, together with the African Development Bank and the Africa Finance Corporation (AFC), to develop the Lobito Corridor[33], which will establish a fast and cost-effective export route for minerals produced in the three African countries to the Atlantic. In addition to cobalt in the DRC, significant reserves of copper and lithium have been discovered in Zambia. This could expand the supply of these elements to meet a demand that is soaring as a result of the electrification of economies[34].

The Lobito corridor is conceived as a project to develop new infrastructure under the initiative of the G-7's Partnership for Global Infrastructure and Investment (PGII)[35]. This corridor is rapidly emerging as a powerful counter to China's Belt and Road Initiative

[30] https://www.swp-berlin.org/en/publication/security-of-supply-in-times-of-geo-economic-fragmentation
[31] https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en
[32] https://www.scielo.cl/scielo.php?script=sci_arttext&pid=S0719-09482023000100211
[33] https://www.lobitocorridor.org/post/the-lobito-corridor-a-route-to-african-development
[34] https://thelogisticsworld.com/actualidad-logistica/una-empresa-respaldada-por-bill-gates-descubre-un-vasto-yacimiento-de-cobre-y-litio-en-zambia/
[35] https://www.state.gov/translations/spanish/hoja-informativa-asociacion-para-la-infraestructura-e-inversion-mundiales-en-el-marco-de-la-cumbre-del-g7/

(BRI)[36]. In addition, the Lobito corridor, through its Atlantic aspect, contributes to the US vision of the "Western Hemisphere".

The EU needs to secure funding in order to carry out these mining projects. Financial institutions are not investing capital in this sector. European companies are reluctant to invest in fragile countries that do not meet the security and infrastructure conditions if there is no funding backing from the state to guarantee the profitability of the projects[37]. In this case, government support is crucial. In this regard, France with Infravia, Germany with KFW and Italy have submitted national investment plans worth EUR 2.5 billion that include support for critical minerals projects. All three have called for private investment to match public funding to develop the value chain of critical raw materials[38].

At the European level, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) play a significant role in private sector involvement, providing financial support in the form of loans and related services. These financial efforts are aimed at promoting sustainable progress in critical sectors such as mining, infrastructure and energy.

For example, the Government of Rwanda and the European Investment Bank (EIB) signed a Joint Declaration on 19th December 2023 which allows for a strategic alliance to enhance investment in critical raw materials value chains. This is the first agreement on critical raw materials between the EIB, the world's largest public international bank, and an African partner[39]. However, the DRC, with which the EU also has partnership agreements in place as mentioned above, has expressed its displeasure at the signing of this declaration of the EIB with Rwanda. This country does not have the mineral resources, but, according to the DRC, it illegally obtains them from its territory[40]. This displeasure has led to protests in several parts of the DRC against the attitude of some Western

[36] https://www.orfonline.org/public/uploads/editor/20231211180301.jpg
[37] https://ecfr.eu/article/key-players-why-mining-is-central-to-the-eus-critical-raw-materials-ambitions-in-africa/
[38] https://www.euronews.com/green/2024/05/17/france-germany-italy-seek-private-input-for-25bn-critical-mineral-investment
[39] https://es.investing.com/news/stock-market-news/ruanda-y-el-bei-forjan-una-alianza-para-impulsar-el-sector-de-las-materias-primas-criticas-93CH-2521088
[40] https://www.lemonde.fr/en/le-monde-africa/article/2024/02/29/drc-the-european-union-is-complicit-in-the-plundering-of-our-resources-and-the-aggression-of-rwanda_6570043_124.html

countries, which the population considers hypocritical in their handling of the conflict in the DRC[41].

Africa is also strategically bolstering regional value chains facilitated by the African Continental Free Trade Area (AfCFTA). However, boosting the AfCFTA requires not only trade but also turning Africa into an industrial manufacturing zone. Africa's wealth should no longer depend on exports of raw materials, but on value-added finished products[42].

Fostering skilled labour in manufacturing and green industries would propel Africa's green economy and prepare it for evolving global sustainability standards. From a business perspective, Africa is set to constitute a significant portion of the global consumer market in the future, a fact that should incentivise companies to provide tangible value to the communities where they operate.

African economies thus require economic transformation through industrialisation, which implies: raising productivity within sectors by enhancing efficiency through technological upgrading, infrastructure and skills, and raising productivity by moving between sectors, expanding into new areas with higher value addition[43].

It has been estimated that the size of the electric vehicle market will reach USD 7 trillion by 2030 and USD 46 trillion by 2050. Developing a labour market for lithium-ion battery production in Africa will be three times cheaper than in other parts of the world[44].

This is where the EU can help Africa: "With its institutional knowledge and investment power to support capacity-building", as noted by Valdis Dombrovskis, Executive Vice-President of the European Commission. "This can promote better product quality, more innovation and reduce costs. As a result, our partner countries will be in a strong position to move up the value chain themselves"[45].

In the context of an equal partnership based on mutual respect and a shared future, Europe and Africa must create legal and regulatory frameworks that will facilitate intercontinental trade integration, boost transparency and strengthen tax collection, and

[41] https://www.fides.org/es/news/74810-AFRICA_RUANDA_No_al_acuerdo_de_mineria_sostenible_entre_la_UE_y_Ruanda
[42] https://www.weforum.org/agenda/2023/09/africa-europe-green-transition-sdim23/
[43] https://ecdpm.org/application/files/1917/0263/7204/The-political-economy-green-industrialisation-Africa-ECDPM-Discussion-Paper-363-2023.pdf
[44] https://www.uneca.org/stories/producing-battery-materials-in-the-drc-could-lower-supply-chain-emissions-and-add-value-to
[45] https://www.weforum.org/agenda/2023/09/africa-europe-green-transition-sdim23/

improve investment conditions [46]. In turn, African nations are engaging in direct negotiations and streamlining permitting processes to accelerate exploration activities.

Under this vision, the energy transition emerges as a second chance to industrialise African economies and add value to extracted products[47]. The opportunity to develop Africa while contributing to the global goals of energy transition and digitisation exists, but it is a path that is not without its challenges.

On the one hand, African countries, unlike the USA and the EU, do not have the fiscal space to support these highly technology-, energy- and capital-intensive industries through subsidies, which further affects their competitiveness, thus necessitating cooperation between African states, investor states and project companies.

On the other hand, the situation of insecurity to which some African states are subjected generates uncertainty for investments in both mineral exploration and value chain implementation.

The challenge is such that the only way forward must be through regional collaboration with African states to enable the creation of value chains and collaboration between investors to mitigate risks. In this regard, it cannot be ruled out that a situation might arise in which rival powers, as companies do, align their objectives[48].

For the time being, international cooperation is focused on grouping like-minded countries. The recently created Minerals Security Partnership Forum[49], which takes up the idea of the EU's Critical Raw Materials Club, is noteworthy in this respect. This Forum, which is co-chaired by the USA and the EU is linked to the Minerals Safety Partnership (MSP). The Forum will bring together resource-rich countries and countries with a high demand for these resources. Membership of the MSP Forum will be open to partners who are ready to commit to the key MSP principles, including diversification of global supply chains and high environmental standards, good governance and fair working conditions.

[46] https://www.weforum.org/agenda/2019/10/new-eurafrican-partnership/
[47] https://ecfr.eu/publication/from-mines-to-markets-how-africa-and-europe-can-become-green-industry-partners-of-choice/
[48] https://issafrica.org/iss-today/retaining-us-influence-in-africa-requires-bridge-building-with-china
[49] https://www.state.gov/secretary-blinken-officially-launches-the-minerals-security-partnership-forum-with-the-european-commission/

The establishment of the Forum strengthens transatlantic cooperation between the EU and the USA on the supply of critical materials for the green and digital transition[50].

Conclusions

Access to strategically important raw materials has been a key determinant of economic wealth and development throughout history.

Without a secure supply of critical raw materials, the EU will not be able to meet its goal of a green and digital future. Export restrictions and the rise of state protectionism related to critical minerals have shown that the market mechanisms to adequately supply these raw materials are losing capacity and becoming increasingly influenced by geopolitics.

In addition to encouraging mining within the EU and promoting circularity, the Critical Raw Materials Act aims to reduce the EU's high external dependence on certain raw materials and the vulnerability of supply chains. The situation is critical as, without access to these materials necessary for the energy and digital transition, the EU risks drifting into a process of accelerated deindustrialisation and a loss of competitiveness that would push it further away from the top of the world economy.

In this context, Africa stands as the EU's great hope for diversification of supply chains given the continent's mineral wealth. However, that same line of thinking is also held by other powers, such as China, the USA, Russia and Japan. Therefore, the African continent risks becoming the main focus of strategic rivalry. In turn, Africa, in all its breadth and diversity, must find ways to turn its wealth into development and prosperity for its large and growing population.

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[50] https://ec.europa.eu/commission/presscorner/detail/en/IP_24_1807