EUROPEAN COUNCIL ON FOREIGN RELATIONS
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POLICY BRIEF

FROM MINES TO MARKETS: HOW AFRICA AND EUROPE CAN BECOME GREEN INDUSTRY PARTNERS OF CHOICE

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SUMMARY

- Europeans are searching for secure sources of critical raw materials as global supply chains become increasingly contested.
- Some African governments wish to obtain greater benefit from this growing demand and are restricting the export of raw materials to force local value-addition, such as in-country processing and manufacturing.
- The EU should take a clearer stance on which aspects of the critical raw materials value chain it wants to participate in within Africa – whether upstream, midstream, or downstream processing.
- Decision-makers in Europe can best position themselves by providing financing instruments to de-risk and catalyse the private sector investments that will unlock the local production and value addition prioritised by African policymakers.
- Europeans should also pursue a regional approach by connecting individual projects to bigger systems, as exemplified by the Lobito corridor in the DRC, Zambia, and Angola.
- The EU can also distinguish itself as a partner by pushing for the stricter application of environmental, social, and governance principles, in contrast to the lower standards generally delivered by geopolitical rivals. As part of this, the bloc should work with its partners on China joining the Minerals Security Partnership; it should also promote African membership of the partnership.

Minerals for mutual benefit

The European Union's relationship with Africa is one based on "common values and interests", according to the bloc's own official declarations. Yet a key test of these shared values and interests can be found in how Europeans engage their African counterparts in diplomacy around critical raw materials (CRMs) and the energy transition to which CRMs are so important. This is especially so in the context of rising geopolitical tensions across the globe. The supply chains for metals and minerals – needed for everything from smart household appliances to electric aircraft – are increasingly becoming a focus of strategic competition between states.

Since 2020, the EU has concluded agreements with numerous African states to secure access to CRMs for European markets, aiding the decarbonisation of parts of the European economy and helping it keep pace with advances in technology. In turn, African governments are looking to leverage the opportunities associated with the energy transition to help their countries industrialise and achieve economic sovereignty. In recognition of this, Europeans should be clear and specific about which parts of the CRMs value chain they most want to invest in, whether it is mining the materials – an activity where Chinese-affiliated companies and other multinational enterprises dominate – or in-country processing to make value-added products.

The latter is likely to be the more fruitful choice. African policymakers are no longer content to see critical materials shipped abroad in raw form. They are increasingly pressing for local industrialisation in forms such as mineral beneficiation – activities that improve a mineral's economic value – and value addition beyond smelting and refining. Practically, this will mean Europeans co-investing in projects such as building processing plants to turn freshly excavated materials into useable intermediate products like the precursor cells needed to make batteries for electric cars.

Europeans must therefore ensure the agreements they conclude with African states bring about these goals. If they do this, there is a real and viable prospect for African countries to become close "friend-shoring" destinations that enable the EU and its member states to increase and diversify their access to CRMs.

This policy brief examines which aspects of the African CRMs value chain the EU can realistically participate in and how the EU can help channel CRMs investment to African countries to all parties' mutual benefit. It also considers how the bloc can promote labour and environmental standards across all stages of the critical minerals trade. The EU has an opportunity both to distinguish itself as a preferred partner and to ensure mining

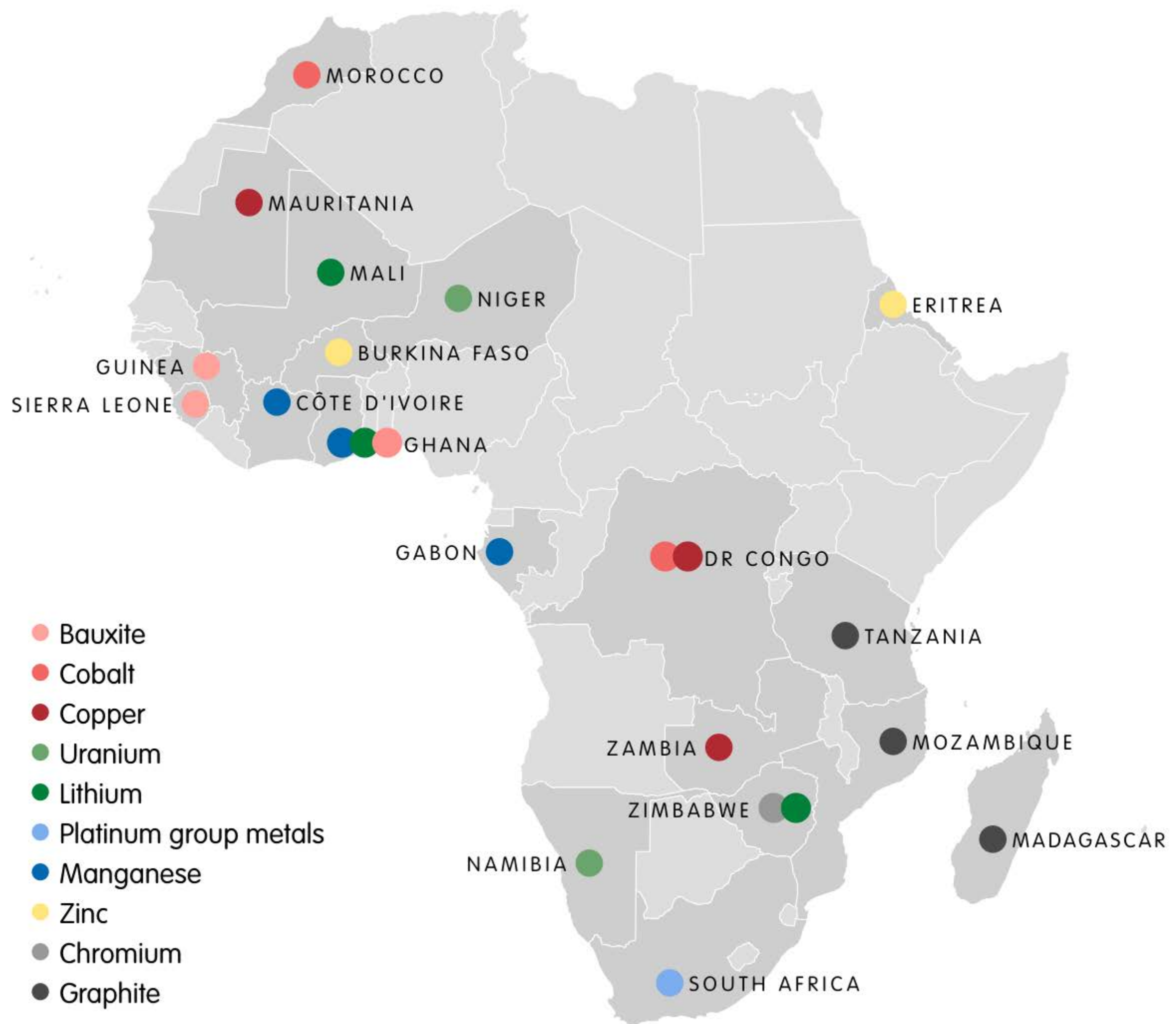
communities in Africa receive better treatment from parties competing for what they produce.

The climate imperative and energy transition

The EU and European and African countries are signatories to the Paris agreement, which aims to keep the rise in global temperatures to 1.5°C above pre-industrial levels. As part of the United Nations Conference of the Parties process, states pledge measures to decarbonise their economies. This includes reducing greenhouse gas emissions from all sources; fossil fuels represent 80 per cent of the total energy supply globally.

Alongside this, the aftershocks of Russia's war on Ukraine and increased geopolitical tensions, above all between the United States and China, have forced many governments to introduce laws, regulations, and policies that attempt to mitigate strategic supply chain risks for energy resources and the CRMs needed for the energy transition. This transition entails the use of renewable energy sources such as solar and wind, hydrogen, and other solutions, including new forms of mobility like electric vehicles. CRMs such as cobalt, copper, lithium, and nickel are essential to all of these innovations.

The EU has also introduced the carbon border adjustment mechanism (CBAM) as its landmark tool to encourage cleaner industrial production in non-EU countries. CBAM is one of the central pillars of the EU's ambitious Fit for 55 Agenda. Once fully introduced from 2026, this measure would require importers in heavy industrial sectors such as cement, iron and steel, and aluminium to monitor and declare emissions embedded in products. It has become a point of diplomatic conflict, with some governments in Africa arguing that tools such as CBAM place an unfair burden on poorer economies.



The opportunity of African industrialisation

Africa remains the least economically diversified continent globally. Despite their abundance of energy and mineral resources, African countries have made little progress in industrialisation. As a result, they are heavily exposed to external trade shocks such as those experienced during the covid-19 pandemic and Russia's war on Ukraine. Many African economies are small, open, and undiversified: they export significant amounts of raw materials but they have little by way of operations within their countries to add value to the mined materials, such as by turning them into other materials useable for industrial processes. Such structural challenges continue to impair African countries' economic growth

prospects and the increased prosperity needed to reduce poverty and inequality.

African states have struggled to make progress on this diversification challenge for many decades. In the early post-independence years, numerous African countries were better-off and more productive than their east Asian peers. Many of these Asian economies – once dismissed as "basket cases" – improved their fortunes through industrialisation and adding value to the products they made. This was occasioned by the liberalisation and globalisation boom from the 1980s onwards and attendant heavy investments in human capital and other forms of investment.

As well as failing to follow this path, African states also had bigger debt servicing costs, deteriorating trade imbalances, and rising transport and other follow-on consumer costs. Internal factors such as recurrent political instability also obstructed this course of development. In more recent times, productivity in Africa has declined since 2012 and remains similar to levels in the early 1980s before structural adjustment programmes were promoted and imposed on many African states by multilateral institutions such as the IMF and World Bank. Where once policymakers nurtured hopes for services-led growth, this has failed to materialise. At the same time, the changing nature of globalisation and technological development, evidenced by the increasing skills and capital intensity of manufacturing technologies, also means that the prospects of export-orientated industrialisation are receding, making it more difficult to mimic the east Asian economic miracle. Indeed, African countries may have even experienced premature deindustrialisation.

African countries have thus largely remained exporters of primary raw materials, including to key Asian economies such as China, where a significant amount of African CRMs end up for further processing into value-added products such as batteries for electric vehicles. Many mining companies operating in Africa export primary and semi-processed products with little to no local value addition. For example, the Democratic Republic of Congo (DRC) and Zambia account for 9 per cent and 4 per cent of the world's copper production, but they respectively refine only about 7 per cent and 1.3 per cent of copper globally.

The energy transition means that demand is predicted to continue to rise for CRMs, and Africa has the CRMs that can help meet this. Sub-Saharan Africa alone contains more than 50 per cent of some of the critical minerals needed for the energy transition. The continent is uniquely placed to play a significant role in international CRMs supply chains; many potential supply countries in Africa are within a 3-5 week shipping time to Europe, and many have relations with the EU and its member states that can help them achieve the friend-shoring diversification sought by European policymakers.

Across the continent, African policymakers regard the energy transition as a second chance to finally industrialise their economies. They wish to find ways to add value in their own countries to the materials mined there and secure advanced mineral processing technologies on their own territory. With regard to CRMs specifically, added value can come through beneficiation. This is now starting to play a bigger role in African countries' economic, trade, and industrial policies. African policymakers' preferences offer European midstream and downstream companies an opportunity to help Africa industrialise through beneficiation by developing horizontal, vertical, and side linkages within countries and regional corridors for medium and high technological manufacturing.

In so doing, African policymakers want to finally address the "resource curse", whereby resource-rich countries can end up with poorer outcomes on equality, poverty, access to education, and healthcare than those without these endowments. Industrialisation in Africa can create new sustainable jobs for its burgeoning population. Millions of young people are joining the labour force every year, and the continent is becoming ever more urbanised.

In addition, green industrialisation in Africa can help make products affordable. Many African countries could cost-competitively make the products associated with the CRMs value chain that are used in energy transition technologies. For example, one 2021 study shows a 10,000 tonne cathode precursor would be three times cheaper to produce in the DRC than in the US or China, and twice as cheap as in Poland. European investment in such projects in Africa could also bring carbon benefits: the same study finds that cathode supply precursor materials would be 30 per cent cheaper than existing Chinese chains if they were produced in the DRC with further assembly in Poland and Germany. This is due primarily to the use of renewable energy, such as hydroelectric, in Africa to power the industrial process.

The mining industry comprises upstream, midstream, and downstream stages. Activities classed as upstream range from exploration and prospecting to mine development, production, and abandonment. Midstream and downstream activities include processing the raw materials and transporting them for smelting, refining, and further value addition. In Africa, several European companies operate in one or more stages of the value chain. These include multinationals such as Anglo-American, Glencore, Endeavour Mining, Boliden, Eramet, and Imerys.

Evolving African policy

In response to these imperatives, since 2022, over 12 African countries have either imposed outright export bans on various CRMs or restricted their export. While such measures are not entirely new, the changed geopolitical context in the aftermath of the pandemic and Russia's invasion of Ukraine, including the move towards friend-shoring, has catalysed and given greater impetus to many African and other governments to impose such restrictions as a means of forcing local value addition. Their aim is to oblige European and international companies to process CRMs and add value locally, including securing more local content and participation, such as greater shares of employment, services, manufacturing provision, and overall financial value for the local economy.

To illustrate: in December 2022, Zimbabwe banned raw lithium exports in order to encourage in-country metal processing. Following this, reports indicate that it trebled its lithium export earnings within a year. Similarly, after the recent discovery of lithium in Ghana, the government tasked an Australian-based and London AIM-listed mining company to undertake a feasibility study into building a downstream lithium chemical conversion plant. According to the terms of the agreement under consideration, if the company is unable to establish a chemical plant in Ghana, it must provide its lithium to any chemical plant established by third parties in the country. The intent is to keep this stage of the process within Ghana. The government in Accra is also seeking investments to develop value-additive refineries under a public-private partnership (PPP) model. These types of project offer EU mineral processing companies ways to support local value addition while securing semi-processed CRMs supplies for European markets.

Such moves are also premised on long-standing regional development protocols such as the Africa Union Agenda 2063 and the Africa Mining Vision. Under the Africa Mining Vision, for example, countries are enjoined to pursue a transparent, equitable, and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development. Countries can do this by increasing domestic processing capacity and developing linkages with other sectors of the economy. By moving up the value chain through ceasing to do only mining – which is worth $11 billion – and starting to, say, engage in cell production – which is worth $387 billion – they can create 35 times more value and, by extension, more jobs and tax revenues.

European policy and the friend-shoring imperative

The European Commission admits the EU is highly dependent on other countries for the import of CRMs and is likely to remain so for the foreseeable future, as it lacks sufficient supplies of its own. The EU sources 63 per cent of its aluminium from Guinea, 41 per cent of its manganese from South Africa, and 35 per cent of its tantalum requirements from the DRC. In policy terms, the EU has set itself the goal of securing "not more than 65 per cent of the Union's annual consumption of each strategic raw material at any relevant processing stage from a single third country". In other words, the EU is seeking to diversify its CRMs sources. Africa can help fill this gap while the EU supports African industrialisation – a mutually beneficial outcome.

While in many respects Africa-Europe ties remain overshadowed by colonial legacies, relations have evolved in recent years to encompass mutual dialogue and cooperation, including on CRMs. The EU has expressed concern about the resource export bans and restrictions introduced by African nations, suggesting the measures may "violat[e] bilateral trade instruments and World Trade Organisation (WTO) law". Nevertheless, there is no sense of this objection turning into something more serious. Recent statements by European Commission president Ursula von der Leyen about leveraging Global Gateway as the "frame for ambitious and strategic partnerships driving structural transformation" confirm a tone of reciprocity.

Global Gateway is the EU's major international infrastructure investment programme, which the bloc drew up to help Europeans compete with China in terms of the latter's massive infrastructure investments across the world, especially through its Belt and Road Initiative. One pillar of Global Gateway focuses on sustainable investments in infrastructure – digital, energy, and transport, among others. It seeks to mobilise €150 billion in public and private investments by 2027 for Africa.

Global Gateway also draws inspiration from the existing Africa-EU Energy Partnership, which aims to improve access to secure, affordable, and sustainable energy for both continents, emphasising increasing investment in energy infrastructure in Africa. In March 2023, the EU passed the Critical Raw Materials Act, whose goal is to develop sustainable supplies of CRMs.

In pursuit of the goals of the act, the bloc is looking to strike friend-shoring deals with partners or non-rivals in the global south, including in Africa. The practical expression of the EU's strategic approach to obtaining CRMs is the establishment of strategic partnerships on CRMs by signing memoranda of understanding (MoUs) with African countries such as the DRC, Zambia, Rwanda, and Namibia.

Alongside this, the European private sector can play an important role in providing the capital and technologies that could scale up the mineral processing and value addition that African governments are looking for as part of such agreements. Engagement with European institutions and the private sector focused on the EU-Namibia partnership suggests it is vital to have in place the appropriate financial instruments to de-risk investments, especially for CRMs, whether it is in upstream mining or downstream battery component manufacturing.

The China challenge

Chinese-affiliated and other companies have a long-established presence in many African countries and have made significant investments across the entire supply chain, from mining to processing facilities. This presence may cause difficulties for European states seeking to make critical minerals partnerships work, especially if they try to focus on upstream activities. Currently, there is significant control of supply chains by Chinese companies, from mining to the limited smelting and refinery processing that exists in some African countries, as in the case of copper and cobalt in the DRC and Zambia, bauxite in Guinea, and lithium in Zimbabwe (see table). That being said, Western multinational mining companies are also often present, including in some cases as joint venture partners with the Chinese. For example, Rio Tinto's world-class Simandou iron ore project in Guinea is a partnership with a Chinalco-led consortium. The Republic of Guinea also has additional interests in the concessions.

Copper production by various mining corporations in 2021

Company	Total copper produced, MT	Share	Principal ownership	Mine	Smelter	Refinery
Kalumbila Minerals/FQM Trident Ltd	233	29	FQM (Canada): 100%	Solwezi/Kalumbila	X	X
Kansanshi Mining Plc/First Quantum Minerals	201	25	ZCCM-IH: 20%, FQM (Canada): 80%	Solwezi	Kansanshi copper smelter: 300,000 tonnes of blister copper annually	X
Lumwana Mining Co. Ltd	109	14	Barrick: 100%	Lumwana	X	X
NFC Africa Mining Plc	62	8	ZCCM-IH: 15%, CNMC: 80%	Chambisi	X	X
Konkola Copper Mines Plc	59	7	ZCCM-IH: 20.6%, Vedanta Resources (India): 79.4%	Chingola and Nchanga mines	Nchanga copper smelter: 311,000 tons of copper anode per annum and 3,000 tons of copper-cobalt alloy	Nkana Copper Electrowinning Refinery: 300,000 tons of copper cathode at LME premium quality grade
CNMC Luanshya Copper Mines Plc	58	7	China Nonferrous Metal Mining Co (CNMC) 80%; ZCCM Investment Holdings (ZCCM-IH) 20%	Luanshya	Luanshya Copper Smelter	
Mopani Copper Mines Plc	45	6	ZCCM-IH, acquired the 90% shares of Mopani from Carlisa Investments Corporation in Jan 2021. It is sole owner of Mopani Copper Mines Plc	Mufulira Mine, Nkana Mine (Kitwe)	Mufulira ISA Smelter produces copper anodes containing 99.6% copper.	Mopani Copper Mines's refinery at Mufulira has the capacity to produce 220,000 tonnes of copper cathode per annum. Copper anodes coming from the Smelter are electro-refined to produce cathodes with 99.999% Copper and conforming to LME grade 'A'.
Lubambe Copper Mine Ltd	18	2	ZCCM-IH: 20%, EMR Capital: 80%	Chililabombwe		
Sino-Metals Leach Zambia LTD	15	2	CNMC: 100%	Kitwe	X	X
Chibuluma Mines Plc	3	0	ZCCM-IH: 15%, Jinchuan Group (China): 85%	Kalulushi	X	X
Chambishi Copper Smelter Ltd		0	China Non Ferrous Metal Mining(Group) Co. Ltd. (CNMC): 60%; Yunnan Copper (Group) Co. Ltd. (YCC): 40%	X	Chambishi Copper Smelter	X
Chambishi Metals Plc		0	ZCCM-IH: 10%, Eurasian Resources Group (ERG): 90%	Chililabombwe	X	X

Source: Author's construct based on various sources.
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The Chinese dominance in upstream mining means there may be little scope for Europeans to enter that stage of the process. But if EU states do want to ensure that European companies are involved directly, they should seek to partner with Western multinational mining companies already present in Africa or source minerals from African countries with demonstrated geological potential, but where little exploration has yet taken place. However, they would need to undertake extensive and lengthy exploration projects and eventually expand or build new mines across the entire project cycle. Even here, planning and regulatory requirements mean an increased minerals supply to the EU could take some time to materialise. Currently, an average of 14 years is required to develop a new copper mine in the DRC and Zambia, which is close to the global average of 16 years for this sort of activity.

Importantly, Chinese and other multinational mining companies do not invest as much in local value addition in the way that African policymakers are seeking. In addition, China's dominance in Africa may now no longer be assured: IMF and other studies show that Chinese sovereign lending in 2022 to sub-Saharan Africa fell to the lowest level in nearly 20 years. This reflects a shift away from big ticket infrastructure financing on account of the escalating public debt in many African countries and China's own domestic priorities. Chinese foreign direct investment flows declined to $1.8 billion in 2022 from $5 billion a year earlier.

In this context, models of cooperation such as the Ghana PPP project noted earlier can assist the EU to make friend-shoring a reality, given the competition from China. That particular project, as an example, will likely give the EU the ability to be the first buyer when it comes to the export of semi-processed intermediate products for making battery cells and other components needed for the energy transition – rather than these going to China, where most raw materials are already sent.

In such ways, the EU has an opportunity to work closely with African countries in a non-zero-sum manner that supports the latter's industrialisation goals. The opportunity of friend-shoring can enable greater local production and value and help counter the influence of China. Crucially, from the perspective of African decision-makers, Europe's gain would not be Africa's loss. The EU in any case has limited processing capacity, and so more refined products would better serve the needs of European industry and prove a win-win while strengthening European supply chains and meeting the EU's friend-shoring ambitions. However, the EU and European states currently appear to be interested in involvement in all stages of the CRMs value chain; or, at least, they have not specified which they wish to specialise in. This may hamper how effective their efforts can be.

Friend-shoring through a regional approach

Europeans should look especially closely at taking a regional approach to friend-shoring CRMs in Africa. A good illustration of this is provided by the joint development between African states, the EU, and the US of the Lobito corridor, which connects the southern DRC and north-western Zambia to regional and global trade markets via the port of Lobito in Angola. Both the EU and the US have committed to funding – combining financial resources and technical know-how – a feasibility study for a new greenfield rail line expansion between Zambia and Angola, thereby reducing the logistical costs and possibly the carbon footprint of exported CRMs. Such regional approaches will especially help promote co-located midstream and downstream investment, where the value addition happens. In this case, the midstream infrastructure of railways would transport copper from the DRC to Zambia or Angola, for example, for processing into precursors – meaning value is retained on the continent rather than this being added in Europe or China.

Zambia's 2022 budget indicated the government wants to treble copper output from 880,000 tonnes to 3 million by 2030. The pro-West president, Hakainde Hichilema, described this as a "new dawn" for industrial development and job creation in Zambia. Indicative costs amount to $30 billion of investment (almost the same size as the country's 2022 GDP) to expand existing mines and open new ones based on exploration studies and related logistics infrastructure. The complementary regional Lobito corridor could help unlock the investments needed to meet the 3 million target. This is an example of a promising partnership between African states and the EU and the US for funding and technical expertise. The regional approach can help Europeans and their partners to unlock value chain opportunities as well as potentially counter other geopolitical influences.

The Lobito corridor

- In October 2023, the EU signed a strategic partnership via a memorandum of understanding with Zambia and the DRC on critical minerals under the Global Gateway project. However, this is yet to be fully detailed in a roadmap or action plan. The bloc has signed similar deals with Canada, Kazakhstan, Namibia, Ukraine, Argentina, and Chile, and is also exploring accords with

Rwanda and Uganda.

- Some of the stated objectives in the Zambian MoU are:
- To develop a closer economic and industrial integration of the sides in the sustainable value chain of raw materials by identifying and jointly developing innovative, sustainable, and responsible raw materials value chains projects.
    - To advance the value, security, and sustainability of trade and investment in resilient raw materials value chains, both upstream and downstream across both the EU and Zambia.
    - To promote the alignment of sustainable raw materials value chains developed between the EU and Zambia with internationally agreed principles and guidelines for environmental, social, and governance standards.
    - To cooperate on the skills, capacity building, and competencies necessary for the development of sustainable raw materials value chains.
    - To facilitate closer cooperation on research and innovation along the raw materials value chain, including advanced exploration, earth observation, and innovative extractive, processing, refining, and recycling technologies.
- Some of the proposed projects under the Lobito corridor include two railway corridors – the Lobito Atlantic railway and the Zambia-Lobito railway – digital connectivity projects, and green energy infrastructure such as a 500MW solar project.

The Lobito corridor route

— Lobito development corridor ▨ CACB permissive tracts

Source: USGS Global Mineral Resource Assessment, ICGLR.
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Raising standards through new international partnerships

New forms of international partnership and collaboration between Europeans and Africans can enhance the development of different parts of the CRMs value chains in ways that are mutually beneficial for all sides. Europeans should also consider finding ways to involve other states – even China.

Such partnerships are already beginning to take shape at the global level. For example, the Minerals Security Partnership (MSP) comprises 14 nations and the EU, and is aimed at catalysing public and private investment in responsible critical minerals supply chains globally. The MSP's participants are Australia, Canada, Estonia, Finland, France, Germany,

India, Italy, Japan, Norway, South Korea, Sweden, the United Kingdom, the US, and the EU. The partnership seeks to bring in "targeted financial and diplomatic support for strategic projects along the value chain" and it has identified four major critical minerals challenges to address: diversifying and stabilising global supply chains; investing in those supply chains; promoting high environmental, social, and governance (ESG) standards in the mining, processing, and recycling sectors; and increasing recycling of critical minerals. The MSP also has a clear role to play in terms of driving up standards in the industry.

EU commitments to workers' and environmental rights already mean that the bloc has an obligation to monitor and enforce these in its external dealings. Standards are generally higher in European-led projects, in contrast to documented and alleged cases of abuse of workers' rights and tensions in mines operated by companies affiliated with other countries. Further progress on these issues by European companies will improve their social licence to operate, which is the general idea of the acceptance or approval of a project by local community stakeholders affected by it. In this regard, EU legal requirements are becoming increasingly stringent, and institutional investors such as pension funds and insurance firms are demanding stronger commitments to such standards. For European mining companies, they would have to comply with the new Corporate Sustainability Reporting Directive, which requires all large companies and all listed companies (except for listed micro-enterprises) to disclose the risks and opportunities arising from social and environmental issues.

These developments could eventually result in higher prices for the final product. If European customers are unwilling to pay the premium, then the EU may need to explore alternative ways to cover the difference for products supplied to the bloc, addressing any state aid concerns that may arise. That being said, during the covid-19 pandemic, mining firms with higher ESG ratings outperformed the broader market by providing 10 per cent higher shareholder returns. Therefore, there may well be financial benefit for all participants in the pursuit of higher standards.

The MSP is a core avenue to enforce ESG standards across the global minerals sector, including projects in Africa. Its provisions already find echo in, for example, one of the stated objectives in the EU's MoU with Zambia, which includes promoting "the alignment of sustainable raw materials value chains developed between the EU and Zambia with internationally agreed principles and guidelines for ESG standards". The MSP has the potential to be a forum which promotes stronger progress on this important issue across the board, with companies from countries around the world. However, European leadership on the issue could help distinguish the EU's role in sourcing and processing CRMs responsibly and enhance the attractiveness of partnering with the bloc and European firms, enabling it to conclude more, and more beneficial, friend-shoring deals. The MSP could also help facilitate

the investments needed to ease tensions arising from CBAM.

How to strengthen EU minerals security and boost African industrialisation

EU policymakers should consider adopting the following approaches to strengthening their relationship with African countries in the realm of CRMs.

Clarify which parts of the African CRMs value chain to participate in

The EU should clarify its strategic objectives and desired level of involvement in various segments of the critical raw materials value chain within Africa. Without clearly identifying where the EU can competitively act within the African CRMs space, the MoUs signed by EU states with African countries stand a real risk of under-delivering. Do EU member states, European companies, and European institutions want to take part in the entire chain? Or just some segments of upstream, midstream, or downstream processing and manufacturing of battery components?

Once they decide this, EU institutions, together with companies based in Europe, can partner with African governments to provide financing and other tools to build and develop the facilities and transport infrastructure needed to process raw materials into intermediate products. In this sense, they can support value addition by deploying funding to develop new green industrial clusters in-country or regionally.

Create and deploy financial instruments to unlock CRMs investment in African countries

The EU could more strategically position itself to mobilise funding for infrastructure development in CRMs value chains. To help unlock this investment in African countries, European financial institutions must help reduce the cost of and access to global multilateral, bilateral, and private project financing for CRMs value chain projects. In this regard, in order to fast-track these developments, the EU should simplify its approval procedures for foreign transactions valued below a given threshold.

Sourcing CRMs in this way fundamentally depends on the willingness of EU institutions and companies to deploy the necessary financial support and de-risking instruments (including guarantees) to African and European companies willing to invest in both greenfield and

brownfield mining exploration and production ventures, and related infrastructure and logistics projects. The EU has an opportunity to work in a collaborative manner with African states in a way that supports the latter's industrialisation goals while meeting its own CRMs security aspirations. This would produce mutually beneficial wins for all parties rather than create a zero-sum game.

To make this a reality, the EU must leverage financing instruments, including loans and export credits, to de-risk, mobilise, and catalyse private sector investments in African countries to add value within CRMs chains. As ECFR research illustrates, finance in the form of concessional loans, grants, and blended funds from the EU and other co-partner development finance institutions and export credits will play a major role, especially in the early stages of mining and infrastructure projects. Some of these currently take place but not in the quantities required; nor are they targeted on particular parts of value chains in the way needed to have their greatest effect.

European policymakers should also advocate for the European Investment Bank and other international funders to develop instruments that allow the de-risking of the CRMs sector in a way that enables European private enterprises to invest. Historically, the EU or other international financing institutions have not focused on this partly due to high ESG requirements, in which the mining industry traditionally lags behind other sectors.

Adopt a regional approach to friend-shoring

The EU should work with African governments and institutions to develop and manage regional value chains and pursue the corridor development approach. It should promote regional cooperation across CRMs value chains, emphasising the development of research and innovation, policy and market alignment, and joint infrastructure such as the Lobito corridor. This will greatly help in risk mitigation, job creation, and energy security.

Bring China into the Minerals Security Partnership

The EU and allies such as the US should explore ways of getting China to become a member of the MSP. This will help ensure some universal applicability of ESG principles in responsible minerals value chains in Africa and elsewhere. The EU should also advocate for CRMs-rich African countries – or at least one representative country – to join the partnership, to give them a voice at the table in championing their concerns and areas for improvement. This would level the playing field and ensure joined-up thinking around the four major critical minerals challenges that the MSP seeks to address. Along with Ukraine, Kazakhstan, and Uzbekistan, Namibia

was present at the MSP forum launch, but is not an MSP member.

About the author

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