The (Bidding?) War For the DRC

written by Melissa (Mel) Sanderson | March 12, 2024

Every few years the Democratic Republic of the Congo rises to international attention. Often this is due to a new round of fighting in the eastern regions of the country, with associated human rights violations. This time, however, Congo's resources are in the spotlight as nations scramble to secure access to some of the world's largest and richest deposits of critical minerals ranging from battery metals to rare earths, gallium, germanium, and others vital to "green" economies, national defense, and slowing climate change.

The major "bidders" at the moment include China, Saudi Arabia, and the United Arab Emirates. China of course has been present in the DRC for decades in the mining industry with activities ranging from blatently illegal to merely controversial, as is the case with Tenke Fungurume, one of the world's largest copper and cobalt mines. In 2006 China entered into an "infrastructure for minerals" agreement with the then-government of Joseph Kabila. Under the terms of this agreement, China built some roads, repaired some airport tarmacs and some government buildings – mostly in the eastern part of the country and in the mineral rich Katanga province. The Congolese people were unhappy with these arrangements as few jobs were created and those which were, involved menial labor. Due to the cheap materials used several projects were of short duration: perhaps the most famous was the road connecting the Bukavu airport with the city, which began eroding and collapsing in places even before the entire project was completed. In exchange, China received some of the richest copper concessions in the Katanga province and rights to other mineral holdings throughout DRC. In 2022 China's Zijin Mining Group launched a bid to take over the Manono lithium/tin concession being developed by an Australian company and in 2023 was awarded development rights when the DRC government said the Australians had been moving too slowly. The award was revoked, however, and China now is contesting that decision.

In 2021 Saudi Arabia signed a general cooperation agreement with the Tshisekedi government and in January 2024, at the Future Minerals Forum in Riyadh, the two countries signed an MOU governing cooperation in developing Congo's mineral wealth. Through its Private Investment Fund (PIF) Saudi has established a new vehicle, Manera Minerals, 50% owned by PIF and 50% by the state-owned mining company Ma'aden to actively work on sourcing critical minerals outside of Saudi to support the Saudi 2030 transformative development vision. Manera is charged with taking equity positions in existing companies thereby accelerating Saudi's access to critical minerals. Unlike the Chinese, the Saudis enjoy a positive public perception. Saudi is seen as a role model and teacher for utilizing natural resources to enrich and develop countries – a major goal for African nations – and also has the resources to invest even during market downturns when commodity companies tend to pull back, thereby ensuring that projects continue to be developed regardless of external pricing constraints. Saudi's recent agreement with the DRC envisions up to $2 billion in investments in the mining, transportation and infrastructure sectors. Crucially, the MOU envisions investment in processing and refinement of mined products, supporting a long-desired value-add for Congolese mining.

In 2023 the UAE signed a $2 billion deal with one of the DRC's state mining companies, Sakima, to develop up to 4 mines in South Kivu and Maniema provinces. Sakima has mining concessions for tin, tantalum, tungsten and gold in those areas: another state-owned company, Gecamines, controls copper in Katanga. This broader agreement followed an initial partnership for Primera Group, a UAE firm, to export at preferential rates artisanallymined gold, coltan, tin, tantalum and tungsten. This agreement supports the DRC Government’s desire to professionalize artisanal mining and ensure miners are getting a better return for their efforts. The DRC also hopes the deal will help strangle access by the militias to the area and cut-off their access to funds supporting continued violence in Eastern Congo.

Russia also is stepping up its interest in the DRC. Russians, like Chinese, have been in the Congo for decades mostly smuggling arms into, and minerals out of, Eastern DRC. Elements of the Wagner Group reportedly had trained and partnered with some of the militias in the area to more directly (albeit still illegally) exploit Congo’s mineral wealth. In the last six months, following the death of Wagner Group leader Yevgeny Prigozhin, Russian military activities have increased and Russian political influence is emerging. The recent civil unrest in DRC’s capital, Kinshasa, which saw several days of sometimes violent demonstrations in front of the US and European Embassies as well as the UN offices, is believed to have been spurred by Russia. During the Cold War in the 1960’s the DRC had been a strategic site for both the US and Russia: as a bid to keep Russia from increasing its influence in DRC the US supported the rise of then-Sargent Mobutu. It appears that access to critical minerals in the DRC may be fueling another Cold War-style intervention in Africa by Russia – which has offered its military support to several African countries to enable governments to “suppress unrest.”

Meanwhile, what are the US and European countries doing? Very little. Even though by some estimates approximately 70% of the crucial critical minerals are in an arc spanning Central Asia to Africa, and even though in many countries the US remains the preferred partner (when possible) there, so far has been little apparent effort to support US businesses to develop and secure the resources needed for economic transformation and national defense.

Global Winds: Opening the Door for a New Middle Eastern Hegemon

written by Melissa (Mel) Sanderson | March 12, 2024

Sometimes when the wind changes direction we notice, especially if the change is sudden or sharp. More subtle changes often go unnoticed.

The same can be said for the winds of global politics. Sometimes the shift is unmissable – Arch Dukes are assassinated, countries are invaded, atomic bombs are dropped – but sometimes it largely goes unnoticed save by the savvy.

The late 1960s and early 1970s were tumultuous in the Middle East, with conflicts ranging from the 6 Day War to the Yom Kippur War drawing the US ever closer to Israel while seeking ways to broker a cessation or at least diminution of hostilities. During this period the Kingdom of Saudia Arabia began increasing its hold over Aramco (a joint US-Saudi oil extraction company) and by 1976 Saudi was the sole owner of one of the world's largest oil companies. Among other consequential developments that ensued was the establishment of OPIC and the rise of the so-called petrodollar. Taken together, a significant change to the global winds of power which elevated Saudi Arabia's economic standing and changed its future.

A similar global shift appears to be happening now, in the area of critical materials vital to “greening” various (largely Western) economies, especially the US. And once again, the Kingdom of Saudi Arabia, this time under the skillful direction of Crown Prince Mohammed bin Salman, is causing the winds of change to blow and challenge not only the West but the East as well.

Recently (January 25, 2024), Saudi Arabia joined the so-called BRICS, an organization founded by China and Brazil in 2006 with fellow members Russia and India. South Africa joined in 2010, and in 2023 Egypt, Ethiopia, Iran, the United Arab Emirates (UAE), and Saudi Arabia were invited to join with membership effective in January 2024. The group’s purpose as defined at its founding is to bring together the world’s most important developing countries to challenge the political and economic power of the wealthier nations of North America and Western Europe. The inclusion of Iran evidently gave Saudi pause but the Kingdom appears to have agreed to join, reportedly at the urging of China.

Adroitly balancing that decision, the Prince recently signed an agreement expanding long-standing cooperation with Japan’s Sumitomo Corp. to develop the Kingdom’s critical minerals resources from mining to processing, working together with Aramco, which is gradually transforming from petroleum to a mining company, in accordance with the Prince’s Saudi Vision 2030. Sumitomo already was working with various elements of the Saudi political and business community on projects ranging from reducing the “heat island” effect in Saudi’s financial district to building “smart cities” of the future. The latest MOU also provides for cooperation in developing new industries in Saudi, including steel, semiconductors, and AI-enabled technologies.

The Public Investment Fund (PIF) overseen by the Crown Prince is the financial vehicle for realizing the Saudi Vision 2030. Per its website, it already has created 93 portfolio companies across 13 key sectors and has over $700 billion in assets under management. The most recent example of a PIF-funded company is “Alat,” announced on February 1 by Crown Prince Mohammed bin Salman who will personally lead its efforts within seven main strategic business units – advanced industries, semiconductors, smart appliances, smart health, smart devices, smart building and next-generation infrastructure – to support development of Saudi Arabia as a worldwide center for sustainable technology manufacturing with an emphasis on electronics.

Such an ambitious agenda will demand more resources than Saudi itself can provide as critical minerals feedstock, and therefore the Kingdom is emerging as a key player in the latest “scramble for Africa,” particularly in the DRC (Democratic Republic of the Congo), where its ambitions may run afoul of China’s.

Saudi Arabia has signed two agreements recently with the DRC, one an MOU covering general economic cooperation and development, the other specific to the mining industry with a special emphasis on critical minerals, which the DRC has in abundance, ranging from lithium, nickel, and cobalt to copper and rare earths. Among other things, Saudi has said it will build processing capacity in Congo and also assist in developing national infrastructure.

In short, while the US and other Western nations continue debating how to secure the necessary elements to transform their economies, the Crown Prince of Saudi Arabia appears to be leading his nation boldly into a future in which Saudi could be a dominant player – perhaps even more as China’s resources begin to be depleted after decades of mining, opening the door for a new Middle Eastern hegemon.

Technology Metals Report (01.19.2024): Rainbow Rare Earths Discovery, Middle East Critical Minerals Chess Play, and ANSTO Invests in Critical Minerals Research

written by Tracy Weslosky | March 12, 2024

Key highlights in this Technology Metals Report include significant developments such as Rainbow Rare Earths Limited's discovery in South Africa, China's unveiling of the new heavy rare earth mineral Bayanoboite-Y, and the Australian Nuclear Science and Technology Organisation (ANSTO)'s $13.9 million funding for critical minerals research.

Navigating the Tensions: OPEC and IEA on Future Energy Strategies

written by Khadijah Samnani | March 12, 2024

OPEC Secretary-General Haitham Al Ghais recently voiced concerns over the International Energy Agency (IEA)'s portrayal of the fossil fuel industry. Reacting to an IEA report, Al Ghais criticized the agency for presenting a dichotomous choice for the oil and gas sector: either contribute to the climate crisis or shift towards renewable energy. He contends that this perspective neglects critical factors such as energy security and the affordability of energy.

Move Over China, as Saudi Arabia Enters the Critical Minerals Stage in the Congo

written by InvestorNews | March 12, 2024

The Democratic Republic of Congo (DRC) is rapidly emerging as a focal point for global entities eager to obtain crucial metals pivotal for green technologies. This surge in interest has placed both the United States and the mining giant, Glencore PLC (LSE: GLEN | OTC: GLCNF | HK: 805), at the forefront of news, particularly regarding their expanding interests in the DRC.

Recent reports from Reuters reveal advanced talks between the United States and Saudi Arabia to secure metals from Africa for their green energy transitions. Concurrently, the UAE has penned a $1.5 billion agreement with the DRC to mine and process critical materials. This raises significant queries: Is Saudi Arabia charting a similar trajectory? How will these accords impact the region's fragile power infrastructure? Moreover, given the proposed framework allowing U.S. companies to purchase a part of Saudi's yield, what might be the potential cost for

U.S. entities? This arrangement, echoing the prevalent market control where U.S. miners and manufacturers are tethered to China's market hegemony, prompts the contemplation: Is the U.S. merely substituting China with Saudi Arabia?

In a parallel move, the Financial Times has shed light on Glencore's ambitions in the DRC. The corporation's strategy is to fortify its stance in the electric vehicle battery domain by bolstering its investments in the African country. Their alliance with the Toronto-listed Tantalex Lithium Resources Corp. (CSE: TTX | OTCQB: TTLXF) for a lithium mining project epitomizes this vision. Nevertheless, Glencore's African endeavors have not been without their share of scandals. In the previous year, they acknowledged bribery practices across the continent, culminating in a sizable $180 million settlement with the DRC. Probes into their DRC activities persist.

Critical Minerals Institute (CMI) Director and DRC expert Melissa "Mel" Sanderson's discernment provides a deeper layer of scrutiny to these advancements. She underscores the ethical paradox in the U.S.'s methodology – a predisposition for mining in regions with more lenient ESG standards, while overlooking potential ventures domestically under more rigorous norms. She perceives this as a manifestation of an "out of sight, out of mind" philosophy.

Enriching the discourse, CMI Co-Chair Jack Lifton remarked, "I am deeply acquainted with this scenario. The American public remains oblivious to the fact that the lithium will be claimed by the highest bidder, not necessarily the most ethical. The Chinese had collaborated with an Australian firm that forfeited the concession due to alleged "corruption." It's plausible that they will, if not already, synergize with Glencore concerning expenses. Being Swiss, Glencore isn't bound by loyalty to the EU or the USA. It's widely recollected that an African leader observed, ‘While Americans offer promises, the Chinese construct airports.’ The U.S. and its industries are channeling funds into ‘domestic’ ventures from finite or economically precarious sources, providing fertile ground for unscrupulous practices.”

In today’s interconnected age, cultivating global alliances is undeniably pivotal. Yet, the overarching strategic, ethical, and environmental repercussions of these engagements demand unwavering attention. As the global compass aligns with sustainability, it becomes imperative for entities like the U.S. government and Glencore to holistically evaluate the broader socio-political and environmental consequences inherent in their decisions. Reflecting upon this might hint that ethical, sustainable, and dependable alternatives may be more accessible than they presume. For more information on the CMI, click here