The Zambezi Minute

The Shared Imperative in an Era of Critical Minerals

30 March 2025*

Executive Summary

From the perspective of the producer, mining is guided by five factors: geology, infrastructure, the environment, fiscal and legislative conditions, and the cost of capital.

These are influenced by political and commercial choice, including access to geology, infrastructure, licensing, fiscal stipulations and any prescribed partnerships. This determines risk and shapes the cost of capital, along with the geopolitical environment.

For governments, policy is guided by the need to encourage investor inflows while ensuring a fair and visible return to their population in the form of revenue, jobs and business opportunities, and environmental well-being.

The fortunes of these two partners – business and government – are thus linked. The greater the volume of mining production, the greater the local returns. In the critical minerals era, the winners will be those who can attract significant investment in mining and production, and manage local expectations and geopolitical shifts.

Regulations and laws have to be fair without being onerous, directed at creating and retaining value at home without deterring investors, and geared to continuously improving efficiency.

With every piece of legislation and regulatory action, the following should be asked: Will this reduce risk and increase output?

Local content programmes are important to spread the benefits of mining. The devil is in the detail, to apply thresholds evenly, and to avoid a rent-seeking exercise.

Improvements in logistics, through for example rail, demand regional synchronicity and recapitalisation, including at border posts.

A dynamic mining regime requires commitment to detailed geological investigation, at the core of which has to be a registration system – or cadastre – which is both transparent and professionally run.

Partnership between government and business depends on there being 'no surprises'. Consistency, transparency and clarity of communication and consultation builds trust.

The world is on the cusp of an epic, generational supply-demand dislocation in critical minerals. Future demand is likely to grow at a faster rate than miners can supply over the next decade and beyond. In copper, demand is anticipated to grow over the next generation to represent more than the total of 700 million tonnes mined worldwide to date.

This 'super-cycle' will be driven by a transition from fossil fuel to electric vehicle mobility and the use of battery technology more broadly but is underpinned by a longer gestation change from an analogue to a digital world. This represents an extraordinary opportunity for producers, including in southern Africa.

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* This Minute is the result of a Dialogue between government, business and civil society held at Royal Zambezi Lodge, 28-30 March 2025, facilitated by The Brenthurst Foundation.

Competition from producers around the world will be fierce, and the winners will be those who can attract significant investment in mining and production. The losers will be those unable to seize the moment because of political inertia, policy unpredictability, logistical constraints, or inappropriate regulations.

No Surprises

The performance of mining in southern Africa has always underpinned the region's overall economic fortune. This places an obligation on lawmakers and the people who elect them as much as it does producers. No sensible mining company is averse to retaining as much wealth as practicable within the source state. What is required is a joint undertaking in a shared future, one that should be embarked on collaboratively and without surprises.

The challenge before us is to ensure generational growth in this sector in a manner that does more than add a few mines over time but creates the environment for both sustainable and fast-paced expansion. Mining has routinely been an investment opportunity in search of a political solution as much as politics requires economic delivery.

To ensure that mines are operating at full capacity and the endowment of resources is properly identified and fairly and sustainably exploited, there is a need to ensure the fundamental conditions that attract investment. This has to be guided by a combination of competition, community interests and transparency, and be facilitated by government.

Regulations and laws have to be fair without being onerous, directed at creating and retaining value at home without deterring investors, and geared to continuously improving efficiency. Those businesses that contribute the most through production, local direct and indirect employment and taxation are preferred. The more the sector delivers, the easier it is to attract investment instead of retreating to resource nationalism. As success stories in mining have shown, the greater the volume of production, the greater the tax revenue.

Establishing Balance and Ensuring Best Practice

The best models for state participation in operating assets depend on circumstances. They should aim to strike a balance acceptable to all sides, one which is fit for purpose and practical. Similarly, it is preferable to attract mining companies that maintain openly acceptable corporate governance standards and transparent accounts and deliver a commercial rate of return to their investors. The cost of those mines which do not operate properly and thus do not earn profits and pay no income tax is clear. They are a burden not only to the state's earnings and the population's prosperity but to the image and operations of the mining sector as a whole.

At the front end of success in mining is Mother Nature: geology. Future production depends on the exploration undertaken now. Without long-term policy certainty, companies will not commit to exploration. A dynamic mining regime requires commitment to detailed geological investigation, at the core of which has to be a registration system – or cadastre – which is both transparent and professionally run. Equally there is a need to protect those committing to exploration, avoiding speculators and encouraging conversion from projects into productive mines. Clarification around exploration and mining rights as distinct from surface rights will help to encourage investors.

The graduation of the artisanal sector is linked to reform of the registration process as much as it is the health of the formal mining sector, requiring also a support system of finance, technology, markets and environmental management.

Fiscal stipulations have to be on a par with the best in class globally and mindful of the comparative circumstances under which mines operate. Good policy has to be backed up by smooth and fast bureaucratic action and lead-times.

Geopolitics, Risk, Trust and the Value Proposition

Shifts in geopolitics will shape demand but will also influence the fiscal pressures on source governments through the cost of capital, which will in turn condition the spread and speed of mining investment.

The manner and extent of any disruption of contemporary external aid flows will to an extent be determined by the positioning of recipient governments and the value proposition they develop and present. More generally, to play a positive role, donors, like governments and producers, have to act with relative alacrity and precision.

Capital providers are at the bottom of the beneficiary hierarchy in mining, below employees, suppliers, communities, and governments through tax and royalty revenue, yet they ultimately determine the cost of investment. In a positive cycle, reducing the risk premium and increasing returns can bring down the cost of capital. This requires aligning stakeholders through the acceptance of variations in profit-sharing and, through transparency and communication, creating trust.

A constructive narrative must shift from dwelling on the past to describing the future of modern mining in Zambia. The consistency and clarity of communication is key, in which mining employees can make the best ambassadors. Joint industry-government statements and consultation should be the default to inspire investor and public confidence and add value.

Lowering the premiums of infrastructure and logistics, especially in transport and energy, is necessary to create greater value, higher-outputs and widespread benefits. A focus on optimising asset utilisation on the conveyors for export would bring immediate benefits.

The mineral value chain is based on a regional supply and demand equation. Any leaps in logistics, through for example rail, demand regional synchronicity and recapitalisation. The same imperative applies to border posts.

A deal-making and problem-solving mentality is at the heart of a thriving mining sector. This goes hand-in-hand with predictability and harmonisation in policy, itself a product of commitment over time. There should be no policy surprises, in the mining sector as much as the overall eco-system in which it operates.

Meaningful consultation must be the operating principle and practice.

Local content programmes are important to spread the benefits of mining. Precisely for this reason, any regulations which would disrupt mineral production and incentivize international vendors to establish local shell companies to maintain the existing supply chain should be avoided. This risks benefitting a small group of elites while increasing the cost of production and reducing tax revenue, thereby worsening the political liability.

Any sensible mining company would want to source things locally both for reasons of cost and community. The devil is in the detail, to apply thresholds evenly, and to avoid simply a rent-seeking exercise.

Local content should be the product of a combination of market forces and concerted efforts by the state and producers together, aiming to be an exemplar of best practice, crowding in fresh investment.

Play to Strengths, Reap the Dividends

Southern Africa's huge advantage in mining relates to its geology, history with mining and the potential of its people. Democracy and counterpart institutions of governance are inextricably interlinked, and are an attribute for those countries where they are present, notably in an era of geopolitical flux and democratic regression. Conversely, populism has proven historically immensely value destructive, especially to an industry that thrives on predictability.

A great new era awaits for critical minerals, the benefits of which hinge on the quality and stability of policy and regulatory responses.

Since investment drives production which in turn drives economic growth and job creation, to benefit from the contemporary critical minerals era, governments must possess a laser-like focus on raising production. With every piece of legislation and regulatory action, the following should be asked: Will this reduce risk and increase output?

There is a mutual responsibility for business and government to safeguard the mining sector by building and maintaining constituencies for growth. As much as government must resist the temptation to extract unproductive rent and avoid burdensome new requirements and regulations on the sector, business has to appreciate the political need for jobs and revenue.

This is the shared imperative.