

CORPORATE THOUGHT LEADERSHIP

Reflecting on South Africa's mining future

The 2024 London Indaba promises an important platform for advancing the global discourse on mining in Africa. The theme of London Indaba is "Why Africa is important for the future of mining and mining is important for the future of Africa: Africa's critical role in the minerals and metals of the future", and it underscores the continent's pivotal role in the future of the mining industry and the essential contributions of mining to Africa's development.

From a South African perspective, this is a critical opportunity for South Africa to showcase its mining capabilities and position itself as a prime spot for international investment. To capitalise on this potential, South Africa will need to dig a little deeper to ensure it maximises the opportunities facing the African mining industry.

At the "Investing in Mining Indaba" in Cape Town in February 2024 (CT Indaba), it was clear that South Africa was at a critical juncture owing to "global and domestic challenges" (as per South African President Cyril Ramaphosa). Globally, commodity price volatility, high energy prices, geopolitical tensions, and a global cost of living crisis continue to play a significant role in dampening the international business operating environment. Domestically, the energy crisis and port and rail bottlenecks are putting serious pressure on miners' operational costs. Regulatory uncertainty, illicit mining, cable theft, lack of maintaining infrastructure and vandalism place a further strain on mining output and returns.

Notwithstanding these challenges, the narrative at the CT Indaba in relation to South Africa was imbued with a cautious sense of optimism, arising from the commitment indicated by the private sector to continue to collaborate and support the Government to address these challenges. However, recent developments evidence the stark reality of plummeting investor confidence in the country. The planned exits of major international mining players have dealt a significant blow to trust among investors, fostering an atmosphere of uncertainty and caution. Added to the latest discouraging statistics on mining's con-



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tribution to South African GDP, these developments have once again shone a light on the challenges facing South Africa.

To assess the future of the South African mining industry, it is necessary to adopt a nuanced perspective that considers both short-term disruptions and long-term opportunities. Whilst the contemplated corporate exits may have thrown a "cat amongst the pigeons", change also presents an opportunity for restructuring and diversification in the industry.

South Africa's strength lies in its abundant mineral resources and skilled workforce. South Africa's mining industry needs to embark on a pragmatic and practical path to enhance the attractiveness of investing in the country. The South African government should consider the following factors to attract investors:

- **Regulatory reform:** Regulatory authorities need to purposefully address the "tug of war" between the Department of Mineral Resources and Energy and the Department of Trade and Industry and create a centralised authoritative body for policy certainty. Streamlining regulatory processes and developing inclusive and adaptive regulatory frameworks will provide comfort to investors and foster a conducive business environment.
- **Sustainable mining practices and renewable energy integration:** With the global shift towards "going green", mining entities must invest in and implement environmentally friendly mining techniques. For example, transitioning



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towards renewable energy sources such as solar (which South Africa has in abundance) at mining sites to harness clean energy for operations, will not only reduce the environmental impact of mining activities but also mitigate the operational costs in the short and long term. We have seen that investors increasingly prioritise environmentally and socially responsible projects. This leads to a growing pool of capital earmarked for sustainable initiatives. By aligning with these investment preferences, South African mining companies can access capital markets more readily and secure funding at favourable terms.

- **Infrastructure investment and maintenance:** Unfortunately, South Africa is still plagued by deteriorating infrastructure, cable theft, vandalism and illicit mining. However, strides are being made to address these issues. A collaborative approach by the Government and the private sector led to the establishment of the Joint Initiative on Crime and Corruption to "tackle the most serious forms of crime and corruption".

The South African Government must face these issues head-on and continue to work in close collaboration with the private sector to resolve these challenges, so that South Africa can reclaim its place as a mining powerhouse on the African continent.

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