



CTPD'S MONDAY OPINION

This is a weekly column aimed at sharing CTPD's perspective and steering public debate on various issues pertaining to Trade & Investments Law, Public Finance Management, Extractives and Human Development.

TODAY'S TOPIC

THE ENERGY TRANSITION: WHAT DOES IT MEAN FOR ZAMBIA'S MINING SECTOR?



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In this week's column, we explore the concept of energy transition and its potential impact on Zambia's mining sector. We discuss how Zambia can strategically position itself to capitalize on the opportunities presented by this transition. The country's diverse range of mineral resources, including critical minerals for the energy transition, coupled with the projected surge in commodity prices, create a unique opportunity for Zambia to enhance its revenue, stimulate economic growth, and generate job opportunities.

Mining has long been a vital and integral driver of Zambia's economic development. Statistics from the Ministry of Finance and National Planning reveal that the mining sector accounts for 17.5 percent of the country's Gross Domestic Product (GDP) and over 70 percent of its foreign exchange earnings. While the primary focus of mining in Zambia has traditionally been on copper and cobalt, the country possesses a diverse range of mineral resources. The Ministry of Mines and Mineral Development has identified various minerals including manganese, lithium and nickel.

Zambia's reliance on the mining sector and the potential for economic prosperity is undeniable. This, however, is predominantly influenced by prevailing mineral prices. The country tends to derive more revenue from the mining sector when commodity prices are higher and realizes less when the prices are low. The good news for Zambia is that there is likely to be a price boom and heightened demand for the country's mineral resources due to an "energy transition".

What does the term "energy transition" mean and how does Zambia stand to benefit from it? The concept of energy transition entails a significant shift away from the utilization of fossil fuels such as coal, natural gas, and oil, towards the adoption of renewable energy sources like wind and solar power. This transformative process holds promising prospects for Zambia. According to the Extractive Industries Transparency Initiative (EITI), the energy transition is projected to fuel an escalated demand for specific minerals,

including cobalt, graphite, lithium, and nickel, among others. These minerals, commonly referred to as transition minerals, play a vital role in facilitating the transition from fossil fuels to low-carbon energy sources and sustainable transportation. Transition minerals are also called "green minerals", "energy transition minerals", "strategic minerals" or "critical minerals".

The expected demand for critical minerals, driven by the catalytic effects of technologies supporting the transition, such as wind turbines, solar panels, and electric vehicles, is expected to have significant implications. These technologies rely on a stable and sustainable supply of these minerals, leading to an anticipated rise in demand. As a result, the global commodity prices are likely to experience a boom.

Considering Zambia's status as the host of almost all the transition mineral reserves, the country stands to benefit from this expected commodity price surge. If Zambia can respond to the anticipated price boom by increasing production of these transition minerals, it will result in higher revenue for the country. Moreover, other sectors, including transportation, are also poised to gain advantages, leading to the creation of more job opportunities, particularly in mining areas.

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the country needs a strong policy

“Zambia’s mining sector has immense potential to leverage the forthcoming commodity price boom and energy transition. However, to maximize benefits, the country needs a strong policy framework, enhanced mineral governance, supportive infrastructure, and increased transparency and enforceable accountability mechanisms within the sector.”

framework, enhanced mineral governance, supportive infrastructure, and increased transparency and enforceable accountability mechanisms within the sector. Meeting these prerequisites is vital for attracting investments, optimizing mineral production and ensuring a reliable supply thereby fully capitalizing on the anticipated surge in commodity prices. The energy transition also presents

significant opportunities for Zambia, particularly in terms of value addition and local content development. Thus, Zambia must strategically position itself to meet the growing demand for transition minerals, resulting in heightened revenue, economic growth, and job opportunities.

That is all for this week. In our next opinion piece, we will delve deeper into the measures Zambia must take to meet the outlined prerequisites and fully prepare for the energy transition including leveraging the opportunities for value addition and local content development. Stay tuned for further insights and analysis on Zambia's strategic positioning to maximize energy transition opportunities and ensure sustainable long-term growth.

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