Commodities, power and capacity building

Commodities resilience in the face of a crisis, the need for an energy regulator and local content were under discussion on the second day of the Digital DRC Mining Week webinar.

Ivanhoe's Kamoa-Kakula Mine in DRC

The Democratic Republic of Congo's (DRC's) copper sector is “not only controlled by but is also dependent on China", and there is a correlation between China’s recovery from the pandemic and commodity price’s recovery. “DRC’s economy has been badly affected, particularly its SMEs, but will not be hit as badly as Europe because of its mining sector that has a cushion role on the economy, said Simon Tuma Waku, deputy managing director of DRC’s Tenke Fungurume Mining.

Mining is capital intensive

Cyrille Mutombo, country manager, Kibali Goldmines, DRC said that the Kibali mine is doing well. “We converted Ebola protocols to address the Covid-19 pandemic. He said the DRC economy was expected to retract by 2.4% this year and was heading into a recession. “Gold is a safe haven again so you can’t regard gold as a strategic mineral.”

The country's new mining code came up again in the discussion. Mutombo said: “Certain issues are still quite blurred, loan repayments for instance. Mining is very capital intensive, you need lots of investment. And you need to provide miners with incentives to create all the infrastructure such as roads to be able to mine.”

“When Covid struck there were many reasons to be negative. April was the worst month for automotive sales globally since 1998,” said George Heppel, senior analyst base metals, CRU Group in the UK. “We expect the automotive car market to decline by 20% in 2020. However, European electric vehicles sales have done surprisingly well with Q1 reporting the highest sales ever.”

Asked how the auto industry will mitigate the risk of its cobalt supplies he answered: “in general, car manufacturers aren’t really concerned yet about their cobalt supply. It feels like they are pushing a lot of the responsibility up the chain to their battery manufacturers. There are two exceptions to this rule. Obviously there is BMW who have signed a cobalt supply agreement with mines in Morocco and in Australia and then there’s Tesla who recently announced that they have entered a purchasing agreement with Glencore.” According to Heppel many battery manufacturers seem to mitigate their long-term supply risk by going into joint ventures with refineries in China.

The panel agreed that the Covid-19 pandemic would not be over anytime soon but that it would be handled and mitigated like any other crisis.

“We’ll have to learn to live with Covid-19 anyway. Copper and cobalt is still there and will continue to depend a lot on China. As it brings back projects the demand will be high. I don’t see a crisis in the future," Waku said.

On track for energy regulator

The strongest message that emerged from the second discussion on power projects in the DRC was that the country needs a dedicated energy regulator to make it easier to develop generation projects, obtain financing and set tariffs.

“DRC’s energy sector lacks regulation and security for licences and concessions for power projects," said Raphael Khalifa, CEO of Tembo Power based in Mauritius. Tembo Power runs 10 projects in Africa, all as IPPs in hydropower in the DRC, Kenya and Burundi, totalling half a billion dollars in investments. He added that the lack of a regulatory authority added to the risk and therefore also the cost of a project.

Serge Nawej Tshitembu, main advisor for Geosolar in the DRC agreed: “We are on track to establish an energy regulator which will make things a lot easier, creating more visibility and providing more stability to investors.”

He added that the majority of energy generated in DRC is renewable, mostly hydropower and that there was a lot of appetite from international investors, particularly the UK, for the DRC.

Both agreed that the current estimated demand of energy in DRC is around 4,200MW.

Local content important driver

The last webinar session for the day focused on local content and capacity building after Covid-19.

“Local content is an important driver to allow the Congolese to benefit from their wealth" said Gety Mpanu Mpanu, deputy chief of staff of the head of state in charge of infrastructure, mineral resources, hydrocarbons, energy and PT-NTIC in the presidency. She added that the DRC must become “a viable and profitable investment platform and as part of developing local content subcontracting must be reserved for companies with a majority of Congolese capital". Furthermore, she felt that "improving the performance of the mining crafts requires training the leaders of mining cooperatives".

"The concept of local content is a very important one for our country and our mining sector,” said Justin Kashala, human resources manager at DRC’s Ivanhoe Mines. "There is an opportunity for vertical integration of the entire production chain on the economic level. Our training programmes need to be reviewed so we can train people who have the skills needed in the current mines in the DRC."

Lorenzo Giacomin is the project director for Edukat, a Belgian development agency, which focuses on support for technical education and vocational training in Katanga province, both formal and non-formal. He was upbeat about their contribution to the region's employment or self-employment prospects. "Collaboration is the most important. We are in partnership with the government regarding the policies and orientations they have put in place with private companies. These are win-win partnerships." He added: "the key word of our project is support. Training is not enough, you have to use skills and allow people to find jobs."

Macaire Mulundu, Ruashi Mining's HR manager pointed out that one of the unexpected results of the Covid-19 pandemic had been that it had created opportunities for local talent to show their metal. "The pandemic has reduced mobility and expatriates cannot all be on the premises. Some positions are vacant and Congolese have been chosen to fill these positions, temporarily or permanently."

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