Policy Briefing – November 2023

An unjust transition? The new rush for Lithium in Africa

This briefing for policy makers accompanies Global Witness' investigation - A new rush for Lithium in Africa risks fuelling corruption and failing citizens.

Global Witness contacted several companies and individuals named in our investigation and the replies received are included in our full report, available at: www.globalwitness.org/en/campaigns/natural-resource-governance/lithium-rush-africa.

Summary of findings

Efforts to address the global climate emergency are leading to an increased demand for renewable energy technology, including electric vehicles and the batteries required to power them.

Africa is one of the new frontiers in a race for battery metals. Lithium – sometimes referred to as 'white gold' – is one of the most sought-after commodities.

Global Witness investigated three emerging lithium mines in Zimbabwe, Namibia and Democratic of Congo (DRC). What we found shows that the rush for lithium on the continent – far from delivering a 'just energy transition' – risks fuelling corruption, and a range of other environmental, social and governance (ESG) issues.

Our investigation looked at two of the first African mines to export lithium ore internationally – Zimbabwe's Sandawana mine and Xinfeng Investments' lithium mine in Uis, Namibia. We also looked into Democratic Republic of Congo's (DRC) Manono project, believed to be Africa's largest lithium deposit.

Our investigation found that:

> In **Zimbabwe**, the Sandawana mine saw a lithium rush involving thousands of artisanal miners working in unsafe conditions, with reports of child labour and miners being buried by a

mine collapse. In early 2023 it was reported that the diggers had been evicted, their minerals reportedly confiscated, and the mine taken over by companies with close links to Zimbabwe's ruling ZANU-PF party and the military, including firms subject to US or EU sanctions. Despite an official ban on unprocessed lithium exports, the politically-connected Sandawana mine appears to have been exempted, trucking thousands of tonnes of ore out of the country during 2023.

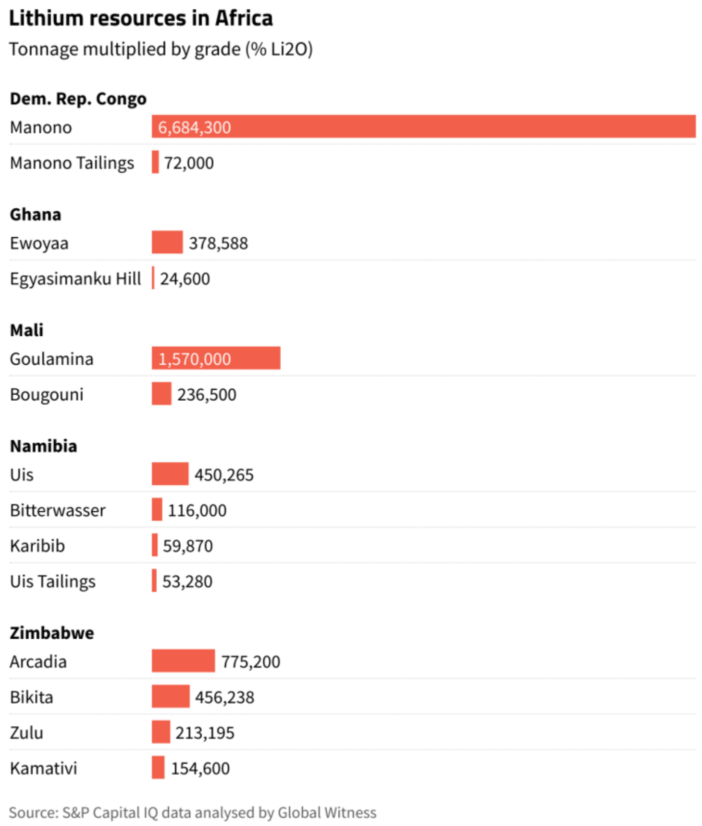
> In **Namibia**, Chinese-owned firm Xinfeng Investments has been accused of acquiring its Uis lithium mine through bribery. There is also evidence that Xinfeng developed the industrial mine using permits intended for local small-scale miners. This seems to have allowed Xinfeng to start mining a major lithium deposit for as little as US$140, while dodging the need for an environmental impact assessment. Local communities and Namibian parliamentarians have accused Xinfeng of housing workers in 'apartheid conditions', buying off local chiefs and scaring away the wildlife that brings tourist dollars into the area. Xinfeng has shipped thousands of tonnes of raw lithium ore to China, failing to deliver on promises to build processing facilities within Namibia.

> In **DRC**, the development of the Manono lithium deposit – stalled by a dispute involving Australian and Chinese mining companies – has raised numerous corruption red flags. The project appears to have generated as much as US$28 million for shell companies held by middlemen implicated in previous corruption scandals involving ex-President Joseph Kabila. An aide of current president Felix Tshisekedi's party also reportedly received US$1.6 million in 'commission' from a major Chinese mining firm when it acquired shares in the project. The state-owned mining company that signed the Manono deals has been accused by DRC's anti-corruption agency of selling lithium rights at a "cut price" and "squandering" the proceeds.

These cases show that as the lithium rush ramps up, some of the risks facing mineral-rich countries are all too real. The mineral supply chains needed for the electric vehicle (EV) revolution should benefit producer nations. Instead, they could embed corruption, fail to develop local economies, and harm citizens and the environment. Battery makers, car firms and policy-makers in consumer countries must ensure that battery mineral supply chains are rigorously screened for corruption and other ESG risks.

The lithium landscape in Africa

The world's lithium supply is currently dominated by Australia, Chile and China, which together accounted for over 90% of the 130,000 tonnes produced globally in 2022. However, with demand for lithium projected to increase sixfold between 2022 and 2035 if existing climate targets are to be reached, the landscape is set to change rapidly. Exploration stage projects are gathering pace across the globe, and Africa is no exception. Lithium resources have been identified in Zimbabwe, Namibia, Ghana, the DRC, Mali and Ethiopia. Several projects on the continent have been backed by major players in the battery and commodity industry such as CATL, Ganfeng Lithium and Glencore. Nevertheless, the vast majority of African lithium projects remain at an exploration or development stage.



Policy responses to the transitional minerals rush

China has achieved a head start on the rest of the world in terms of lithium processing and EV battery manufacturing. In response western leaders are keen to secure their own access to battery metals, while paying lip service for the need for supply chains to be 'sustainable'. In a joint statement in March 2023 US President Joe Biden and EU Commission President Ursula von der Leyen underlined their commitment to "expanding access to sources of critical minerals that are sustainable, trusted, and free of labour abuses". Meanwhile global vehicle manufacturers like Tesla and VW increasingly acknowledge the need to source battery minerals 'responsibly'.

However, consumer governments' policies on critical minerals need to be far more robust to ensure that mining benefits citizens in the Global South. Under the EU's proposed Critical Raw Materials Act (CRMA), the EU will select 'Strategic Projects' that can benefit from fast-tracking and access to finance and will also increase 'Strategic Partnerships' with third countries. But the CRMA has been criticised by NGOs, who say it risks "exacerbating human rights and Indigenous rights violations, increasing environmental risks, undermining development in third countries, and circumventing democratic participation." In an open letter NGOs have called for the CRMA to "ensure effective social, environmental and governance safeguards and provide meaningful participation to local communities, Indigenous Peoples, and civil society in resource-rich countries."

The EU's Battery Regulation will oblige battery makers to undertake human rights and environmental due diligence on their mineral supply chains, but much will depend on how rigorously the regulation is enforced by EU member states. Meanwhile critical mineral policies of other major consumer countries such as the US, UK and China contain next to nothing in the way of obligations on companies to source battery minerals in a socially and environmentally responsible manner. For the time-being, governments seem largely content to let the mining industry self-police in the form of voluntary standards and certification schemes.

The issues that are emerging in the lithium sector require a response from policy-makers both in Africa and in the Global North as well as from companies.

Policy recommendations

To mineral-rich country governments

> Governments of transition mineral-rich countries should put in place strong measures to capture more of the 'value chain' domestically, creating more jobs and boosting tax revenues. This would involve strong measures to encourage mineral processing plants and battery precursor plants, though these should be properly regulated to mitigate any environmental risks. This could include greater co-operation between African countries to jointly develop processing capacities. Moves by countries such as Mali, Namibia and Zimbabwe to prevent the export of unprocessed lithium ore can be part of this effort if complemented by other measures and if loopholes are not exploited by corrupt actors.

> Local legal frameworks on environment, health and social impacts such as resettlement should be set in line with the highest international standards and reflect the right to 'free prior and informed consent' (FPIC). Resources should be given to the relevant government bodies to enforce them and to take action if they are not respected by companies.

> Mineral-rich states should establish and reinforce effective grievance, complaints and redress mechanisms in their mining regulations and facilitate safe and easy access by communities, workers, civil society organisations and other stakeholders to such mechanisms.

> Contracts and licences, environmental and social impact assessments, project-level payments to governments by mining companies and commodity traders, and beneficial ownership information must be disclosed in line with the new Extractive Industry Transparency Initiative (EITI) standard.

> The role of artisanal mining in transition mineral supply chains should be recognized and measures put in place to formalise the sector, protect miners' livelihoods and prevent child labour and dangerous working practices.

> Governments should create a safe environment for environmental and land activists, ensure civil society has the freedom to operate, allowing these actors to play their role in monitoring developments in the mining sector and advocating for the interests of affected communities.

To European and US governments:

> The EU's Critical Raw Materials Act should ensure that the Strategic Projects that will be selected under the Act, and which will be able to benefit from streamlined permitting and access to finance, are in line with the highest international human rights, environmental and governance standards,

including the right to FPIC. Industry schemes should not be relied upon alone to assess Strategic Projects' compliance with human rights and environmental standards. Compliance should be assessed by the European Commission, backed up by disclosure rules, grievance mechanisms, and published audit reports.

> The EU should ensure public access to information about the EU's Strategic Partnerships and ensure safe and meaningful civil society participation in negotiating, implementing and monitoring progress under the partnerships. Supporting partner countries in the Global South to develop their industries and move up the mining value chain should be seen as a priority within such partnerships. Strategic Partnerships should also contain measures to increase mining sector transparency in producer countries, for example through progress towards EITI validation and other measures such as publication of mining contracts and of data on tax revenues from mining projects.

> The European Commission should ensure a rigorous application of the EU Battery Regulation, particularly its provisions on environmental and social due diligence. This includes careful oversight of the use of industry due diligence schemes to ensure that they are not flawed. The Commission should also issue thorough guidance on how social and environmental due diligence is to be undertaken, including effective screening of corruption risks. EU member states should ensure adequate resources are put in place to ensure effective enforcement of the Regulation.

> EU law makers should include robust human rights and environmental due diligence requirements under the Corporate Sustainability Due Diligence Directive (CSDDD). This includes ensuring that companies are required to prevent harms throughout their entire value chains, engage with those who could be affected by their projects, and address the broad range of negative impacts they can have on people, the environment and the climate.

> Non-EU countries that are likely to import or produce large volumes of EV batteries – including the US and UK – should put in place their own legislation to require environmental and social due diligence by downstream actors in the battery supply chain. Such legislation should require the screening of imports of critical minerals and ensure that downstream companies that purchase minerals strengthen information disclosure and undertake due diligence to rule out possible environmental damage, human rights violations or corruption in the supply chain.

To Chinese stakeholders:

> Chinese authorities (The National Development and Reform Commission and the Ministry of Commercemust urge enterprises to strictly abide by the "Measures for the Administration of Overseas Investment", the "Measures for the Administration of Overseas Investment" and other laws and regulations, to strictly implement the "Guidelines for Green Development of Outbound Investment and Cooperation (2021)" and "Guidelines for Ecological and Environmental Protection of Foreign Investment Cooperation and Construction Projects".

> Chinese authorities should also formulate laws and regulations to conduct due diligence on mineral supply chains to mandate companies which are extracting and/or using mineral resources to

identify, prevent, and mitigate their risks of directly or indirectly contributing to human rights abuses, conflict, environmental damage, violation of business ethics and other adverse impacts.

> The China Mineral Industry Association - the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC) / Responsible Critical Minerals Initiative (RCI) should strengthen the implementation of member companies' adherence to the Chinese Due Diligence Guidelines for Mineral Supply Chains, and accelerate the implementation of the *Mediation and Consultation Mechanism for the Mining Industry and Mineral Value Chain* to provide a platform for consultation for affected communities and companies to effectively resolve disputes.

> China should strengthen its crackdown on corruption and bribery in overseas investments and implement the requirements of the United Nations Convention Against Corruption. Anti-corruption provisions on China's overseas investments should be incorporated into China's legislation in order to comprehensively prevent, detect and punish corruption and to develop anti-corruption mechanisms for overseas investment.

> Chinese investors (relevant banks and financial institutions) should address the environmental and social risks in overseas mineral investments, adopt the Principles of Responsible Banking, strengthen due diligence in the investment decision-making process, and establish corresponding effective grievance and redress mechanisms for investment projects.

> The Chinese government should commit to sharing their latest technology and supporting African host countries so that those countries can gain greater benefits from the mineral value chain, use China's own experience to carry out energy transformation in African host countries with a just transformation, and work towards a high-quality and sustainable form of China-Africa cooperation.

To companies:

> Transnational companies along the mineral supply chain should apply internationally accepted standards and principles such as the UN Guiding Principles on Business and Human Rights, and the OECD's Guidelines for Multinational Enterprises, Due Diligence Guidance for Responsible Supply Chains and Due Diligence Guidance on Responsible Business Conduct and ILO Convention 169 (on the right to FPIC). Adherence to the Initiative on Responsible Mining Assurance (IRMA) can help companies to achieve adherence to international standards.

> Downstream purchasers of mineral resources in all jurisdictions should establish a due diligence management system based on the concept of risk prevention and strengthen the management of environmental and social risks.

> Decisions to mine should be informed by the true costs of extraction, not just profit margins, involving communities in the decision-making process from the beginning. Recognising the right to FPIC is central to achieving this.