ORGANISATION OF **AFRICAN**, **CARIBBEAN** AND **PACIFIC** STATES (OACPS)

POSITION PAPER ON CRITICAL RAW MATERIALS (CRMs)

A. BACKGROUND

1. The OACPS Ministers of mining met from 23-24 May 2024 in Yaoundé Cameroon to adopt the OACPS position on critical raw materials (CRMs). This meeting was preceded by the meetings of the Senior official on 13 May 2024 and the OACPS Experts on CRMs that met in Lusaka, Zambia from 20-22 November 2023.

2. It is important to recall that the task of organising the above meetings on CRMs stemmed from the OACPS Council of Ministers. During their 116th Session held in July 2023, they requested the Committee of Ambassadors to formulate an OACPS position on critical raw materials and in so doing convene as soon as possible a meeting of OACPS Experts on CRMs and subsequent Ministerial Meeting. based on the outcome, a request should be made to convene of a Joint OACPS- EU Ministerial meeting.

3. Though the OACPS position on CRMs was triggered by the EU CRM Act, Member States felt that the position should go beyond the EU and cater for other partners.

4. The position paper is therefore based on the outcome of the meeting of OACPS Experts on CRMs that met in Lusaka in November 2023 and complemented with comprehensive background information and trade statistics on CRMs compiled by the Intergovernmental Forum (IGF) on Mining, Minerals, Metals and Sustainable Development.

5. The OACPS position will ensure complementarity and subsidiarity with regional and national actions and activities. The objective is to create a synergistic effect that maximizes overall impact and efficiently empowers local actors, while also ensuring that broader support and coordination are available when needed. By aligning efforts at various levels, the strategy will foster a cohesive framework that enhances effectiveness and responsiveness to OACPS needs.

B. INTRODUCTION

6. The Organisation of African, Caribbean, and Pacific States (OACPS) is at a critical juncture where the strategic management of CRMs can significantly influence its member states' economic trajectories. The position paper outlines a comprehensive framework of key policy and support interventions aimed at enabling OACPS countries to navigate the challenges and leverage opportunities in CRM value chains. The proposed interventions encompass development finance, trade and investment policies, supply chain localisation, research and innovation, price stabilisation, regulatory compliance, support for artisanal and small-scale mining, human capital development, and mutually beneficial international arrangements. This Position Paper is accompanied by a background document that provides deeper analysis and context.

7. CRMs are essential for the functioning and integrity of key industries and technologies, particularly those associated with the energy and digital transitions. Raw materials such as copper, nickel, rare earth elements, lithium and cobalt, are pivotal for the manufacture of high-tech devices, renewable energy systems, electric vehicles, and energy storage solutions. However, they are at a high risk of supply shortage and have significant impacts of delaying energy transition plans, if their supply is constrained.

8. Many OACPS countries are among the top producers of CRMs such as copper, cobalt, manganese, platinum group of metals and graphite. Although many countries have significant proven reserves, many are largely under-explored, which gives them an edge in future supply chains.

9. The growing demand for CRMs provides OACPS producer countries with significant opportunities to leverage their raw materials for broader socio-economic benefits. These include opportunities to capture higher fiscal revenues, to move up the value chain, to develop resilient domestic and regional supply chains around renewable and digital technologies, and attract investments in innovation and R&D hubs to service high-tech industries, amongst others.

10. It is acknowledged that exploiting raw materials sustainably and equitably also presents challenges that will have to be addressed through solid governance frameworks and the enforcement of high environmental and social standards. As increased supply come on stream, OACPS countries will have to manage potential trade-offs between increased production, on the one hand, and environmental and social risks, on the other hand.

11. Geopolitically, the distribution and control of CRMs are central to current international power dynamics. For OACPS countries, while this presents an opportunity to play a more influential role in international relations, it also exposes them to risks associated with fluctuating commodity prices, foreign investment pressures, and geopolitical tactics and rivalries.

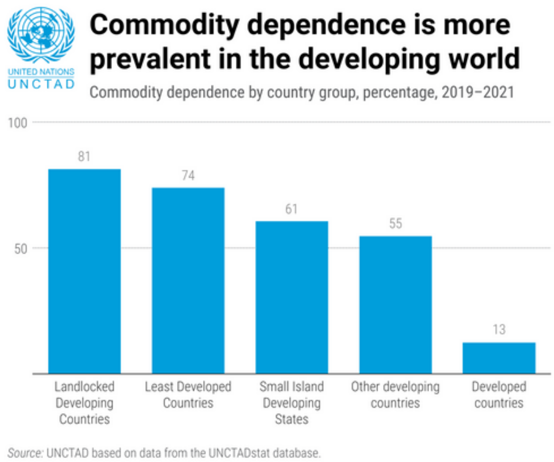
12. For OACPS countries, these global dynamics and developmental opportunities highlights the importance of strategic management of their resources, including through investment in local processing capacities, environmental stewardship and the negotiation of equitable trade terms. Additionally, it underscores the importance of international cooperation and multilateral frameworks to ensure a stable, sustainable, and equitable global CRM market.

The Role of Commodities in OACPS

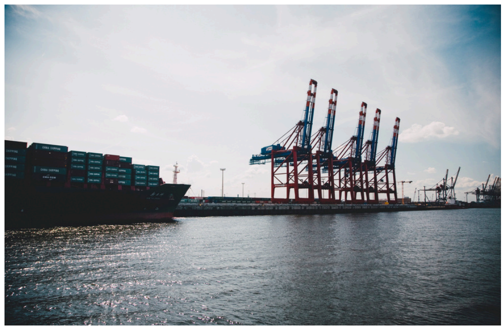
13. The OACPS member countries have very different economic landscapes, due to their sizes, geographical features (including small islands and landlocked countries), levels of natural resource endowment, economic structures etc. Many member states are highly dependent on primary commodity exports - typically, mineral, fuel and/or agricultural commodities - and rely on few external markets for export revenues.

14. Globally, commodity dependence, which is prevalent in Africa, Oceania and South America, tends to impact a disproportionate share of countries with special features: 81 per cent of landlocked countries LLDCs, 74 per cent of least developed countries (LDCs) and 61 per cent of small islands developing states (SIDS) are commodity dependent (UNCTAD: 2023).

15. According to UNCTAD Commodities and Development Report of 2023, 65 OACPS countries relied on commodities for more than 50 percent of their export earnings[1], the most extreme case being South Sudan, where commodities accounted for 99.9% of the country's exports (energy alone accounted for 93.8%, mining represented 3.1% and agriculture made up 2.9% of the countries' exports).



[1] UNCTAD considers that a country is considered commodity dependent if more than 60 per cent of its merchandise export value comes from commodities.



16. The undiversified economic base is a major source of vulnerability, making commodity dependent countries particularly susceptible to exogenous economic shocks, such as price volatility and market disruptions. Frequent commodity price fluctuations have significantly impacted OACPS fiscal and export revenues, and hence weakened their ability to invest in new growth poles. According to UNCTAD, during between 2019–2021, commodity prices were extremely volatile. This was largely due to disruptions during the COVID-19 pandemic and the uncertainties that prevailed despite the subsequent recovery. Commodity price hikes continued in 2022 and early 2023, as a result of growing geopolitical tensions, the war in Ukraine and by changes in international financial conditions resulting from growing inflationary pressures (UNCTAD: 2023).

17. As the demand for CRMs increases, it is expected that the situation of countries that already face a high dependency on commodity exports may be further aggravated. It is therefore imperative that affected OACPS countries diversify their production and exports base to reduce vulnerability, as prices and markets are expected to remain highly volatile in the future. Leveraging CRMs for industrial development to take advantage of the growing market for energy and digital technologies is a strategic pathway to follow. Complementary to building stronger and more diversified economic structures, other areas such as macro-prudential and effective fiscal policies and financial innovation need specific attention.

Definition of Critical Raw Materials

18. Critical Minerals are a set of minerals essential for clean energy equipment, high technology and defence industries with limited sources of supply or vulnerable supply chains.

19. Various parts of the world are attempting to secure access to critical minerals by seeking diversified supply chains as it has become an energy security issue.

20. In the African context, these minerals are considered 'strategic' or 'green' as indicated in the African Green Minerals Strategy, following two main criteria:

- a) Minerals that are used in clean energy technologies and green industries; and

- b) Minerals that are feedstocks into the mining supply chain.

21. Therefore, for the OACPS, criticality can be viewed from the perspective of each member state’s requirements for harnessing their resources (raw materials) for holistic development, industrialisation and employment in their respective countries and regions. As the OACPS develops its strategy, it is crucial to identify strategic mineral feedstocks necessary to achieve equitable development and industrialization.

C. OACPS AND CRITICAL RAW MATERIALS

22. OACPS countries are well endowed with several raw materials identified by their partners as critical. Some countries are significant producers while others have important proven reserves that are getting the attention of investors.

CRM Production

23. The African continent is home to over 60 minerals and metals, its countries play a major role in the production of key CRMs. For example:

- a. The Democratic Republic of the Congo (DRC) for instance, is the largest global cobalt – a key battery input, with a share of close to 70% of total world's production. Zimbabwe has significantly increased its mineral production in the last few years, now ranking third worldwide in platinum and rhodium production and 5th is chromium and palladium production. Guinea alone accounted for 23% of global bauxite production (the primary aluminium ore) in 2021, ranking 2nd globally. With the Simandou project expected to come on stream in the next few years, Guinea is set to become a key iron ore producer in the next few years;

- b. Caribbean countries are also well endowed with minerals and in CRM, although at a smaller scale compared to Africa. The region is rich in chromium, nickel, copper, cobalt and bauxite with Cuba and Dominican Republic being the main CRM producers;

- c. In the Pacific region, the main producer of land-based CRM is Papua New Guinea, with important production of copper, nickel, cobalt and chromium. Fiji has untapped reserves of copper and zinc, although in recent years exploration budget declined; and

- d. Some OACPS member states in the Pacific region have seabed resources, although there is no regional consensus on their mining.

Trade Outlook

24. A 2023 OECD study estimates that in the last two decades, the value of global trade in CRMs has increased, outpacing the growth of overall merchandise trade. Between the periods of 2007-2009 and 2017-2019, CRM trade globally increased by 38%, higher than the 31% growth in the trade of all products.

25. Key CRMs such as lithium, manganese, graphite, and cobalt have seen the highest growth rates in the trade of all minerals.

Trade in Selected CRMs for OACPS Countries

26. Trade patterns in CRMs from OACPS countries show a similar trend, despite a fall in 2020, due to disruptions resulting from the COVID19 pandemic. There has been an increasing trend between 2019 – 2021 for copper, cobalt, PGMs and graphite. The pace of growth of CRMs has accelerated remarkably in the last few years, showing the growing importance of OACPS countries as sources of CRMs.

27. In 2021, Africa countries were by far the largest OACPS suppliers of CRMs. In 2021, copper (at all stages of beneficiation combined) accounted for 41.5% of all OACPS CRM exports by value, making it the most traded CRM from OACPS mineral producers. Key producers in Africa were Zambia and DR Congo, in the Caribbean this role was assumed bu Dominican Republic, while Papua New Guinea was the main exporter in the Pacific. The platinum group of metals (PGMs) were the second largest CRM export of OACPS by value (as a share of total CRM exports) in 2021, accounting for 34.4% of all CRM exports from OACPS countries. Zimbabwe remains the main exporter of PGM in bith African and global markets.

28. Cobalt, a co-product of copper in DR Congo and in Zambia, and a co-product of Nickel in Madagascar, was the 3rd main CRM exported by OACPS countries in 2021. DR Congo was by far the largest exporter in Africa, and globally.

29. In 2021, the major regional market for OACPS CRM exports was Asia, with a share of 49.2% of all OACPS CRM exports. Europe accounted for a total of 22.3% of total OACPS exports. African countries were the third major market for CRM exports from OACPS countries, with a share of 14.4% of total OACPS CRM exports. These were mainly intra-Africa exports of raw materials for further processing, destined to regional smelters and refiners.

A Snapshot of Beneficiation Capacities in Africa

30. There are 215 processing facilities in Africa, more specifically:

- Processing plants, i.e. general industrial facilities for comminution, where extracted raw ores are crushed, screened, grinded and classified;
- Concentrators, i.e. facilities where valuable minerals within raw ore are extracted;
- Smelters, where metals are extracted from ores; and
- Refineries, where the grade or purity of the metals are enhanced.

31. It is estimated that roughly half of the facilities are meant for comminution, which are the first stage in beneficiation process. The database estimates that smelting and refining, each make up about 20% of processing facilities for CRMs in Africa.

32. About 37% of the facilities were aimed at beneficiating copper, which is the main CRM produced in and exported from Africa. These plants are found in several countries, across the continent, including in countries that are not big copper producing or exporting countries. Besides DR Congo, Zambia and Zimbabwe who have significant copper production, countries such as Botswana, Namibia, Niger and Tanzania have processing facilities.

Global Trade and Investment Frameworks Relevant to CRMs

Economic Partnership Agreements (EPAs) and Everything Buts Arms Initiative (EBA)

33. Currently of the seventy-nine (79) Members of the OACPS, thirty-six (36) LDCs trade with the EU under the EBA regime while thirty-two (32) trade under the EPAs regime and the rest are under GSP.Seventy (70) percent of OACPS countries are commodity dependent and as such export mainly agriculture or mineral commodities. It is this reality that has pushed OACPS to prioritise value addition, beneficiation and industrialisation as critical aspects for sustainable economic growth and development.

34. Many CRM OACPS producing countries are not covered by the EPAs. It is however to be noted that commitments made under EPAs with regards to export duties and other restrictions, have not prevented the proliferation of such measures in recent years in signatory countries. The main trade instruments used include export bans, export taxes, export quotas and nonautomatic licensing. Nevertheless, countries have used export restrictions to stimulate the development of forward linkages and increase domestic value addition.

African Green Mineral Strategy

35. The objective of the African Green Minerals Strategy is to use Africa's green minerals to support its resource-based industrialisation and electrification. The Strategy is an implementing tool of the Africa Mining Vision, a continental framework that aims at guiding African Member States in designing and implementing mineral strategies that will lead to the continent's industrialisation and diversification. Africa is part of the global value chain for green minerals. However, this role is concentrated at the first phase of the value chain, exploration and extraction.

Bilateral Investment Treaties

36. All OACPS CRM producing countries have signed bilateral investment treaties. These agreements provide additional legal protection for mining investors because they allow investors the possibility to resort to international arbitration in case of dispute with the host-country.

Memorandum of Understanding

37. An emerging trend observed in recent years is the design and implementation of non-binding strategic partnership agreements and memoranda of understanding (MOUs), focused on specific aspects of cooperation, notably the security of access to CRM. In exchange, producing countries have expressed their interests in attracting investors in supply chains, in infrastructure development, and in other logistics and technologies to facilitate the development of green technologies supply chains, including at the regional level.

38. MOUs have less stringent conditions and commitments than formal agreements, but nonetheless engage States in longer-term cooperation, because they are signed.

39. However, as with any other partnerships, there is always a risk that the balance of benefits might tip towards countries that have the strongest interests in such agreements. Although the MOUs themselves are not binding, investments that are likely to be facilitated through those MOUs will be bound by BITs.

40. On a practical basis, there is an increasing number in off-take and long-term supply agreements, notably between green and digital corporate off-takers and mining companies in producing countries to secure access to CRMs. One of the objectives of the MOUs is to facilitate more of such agreements, so that industrial supply chain actors in Europe and in the US can secure access to CRMs. While this will provide market access security – and hence trigger more investments in greenfield projects to increase supply of CRMs, there is however a risk that CRMs will not be available for domestic/ regional value chain projects. OACPS countries therefore need to be mindful of the implications of such deals to ensure that they can leverage their mineral resources for their development objectives.

The EU Critical Raw Materials Act

41. The EU Critical Raw Materials Act (CRMA) was adopted on 18 March 2024. It is a response to the growing pressure "to a secure, diversified, affordable and sustainable supply of raw materials" for sectors, such as the low-carbon and digital industries, aerospace and defence. It identifies two lists of materials — a list of 34 critical raw materials, of which 17 are considered strategic, due to the higher risk of supply issues they face.

42. The biggest concern for OACPS countries is the required 40% domestic content for processed materials. The EU and OACPS could agree a minimum degree of processing for OACPS CRMs to supply into the EU market.

43. An increasing number of OACPS countries are putting restrictions on the export of unprocessed CRMs to stimulate beneficiation to increase processing capacities and move up the value chain. If those plans materialise, their exports of processed materials may face quantitative restrictions on the EU market, as EU steps up efforts to develop its own processing capacities. This may put OACPS industrialization strategies at risk, notably by negatively impacting on decisions to invest in beneficiation capacities, by harming existing industrial capabilities, and by putting at risk jobs and revenues in OACPS countries. Moreover, as the EU subsidizes its own domestic processing capabilities, OACPS countries are likely to face unfair competition.

Navigating Global Dynamics: Safeguarding Interests and Addressing Concerns

44. As highlighted above, recent years are marked by a concerning decline in the global trade policy environment. The trend towards more fragmented trade rules combined with the proliferation of geopolitical regulatory measures among various competing power blocks is on the rise, pointing to the deterioration of global trade governance.

45. There are several reasons for this. Besides the underlying China-US economic tension, there is the broader challenge of balancing the geostrategic interests of advanced economies with the objectives of emerging and developing economies to grow and industrialize fast. The geostrategic concerns and responses to the security of supply of CRMs crystalize these shifts and directly impact OACPS countries.

Political and Strategic Interests

46. OACPS countries find themselves at a crucial and complex intersection of global needs, regional dynamics and domestic realities, due to their significant reserves and production of CRMs, and national and regional industrialization ambitions.

47. As the world increasingly pivots towards sustainable energy and digital transitions, the strategic importance of these resources provides OACPS member countries, not just an opportunity to leverage their position of strength as global suppliers, but as central figures that can provide industrial solutions to their partners to de-risk and strengthen global supply chains and market dynamics for the energy and digital transition.

48. The position of strength of OACPS member countries in the CRM landscape confers them with significant geopolitical leverage. Projected growth in demand for CRM suggests that some OACPS counties are likely to have a growing influence on global markets, and hence increasing bargaining power to engage their partners on fairer trade and investment deals.

49. However, to realise this potential it is necessary to have a clear OACPS strategy on CRM, that can be used as a compass to build coalitions and work collectively to strengthen the group's positioning vis-à-vis international trading and investment partners. Currently, these opportunities are undercut by a lack of unified strategies and negotiation capacities, leaving individual countries susceptible to bilateral agreements that may not fully cater to their development needs and may further divide them, rather than consolidate their positions.

50. However, this strategic advantage is not without its challenges, especially in the context of a rapidly shifting geopolitical landscape marked by intense competition and the formation of strategic alliances to secure access to raw materials which tend to be formed among like-minded countries. This environment has placed many ACP countries in a complex conundrum: how to respond to growing pressures for global demand and security of supply without compromising domestic and regional industrial development priorities through mineral beneficiation and related supply chains? How to ensure that increased supply of raw materials do not come at the expense of local communities and the environment?

51. Unaddressed, these challenges could foster – and widen – imbalances, lead to new forms of dependencies, that may result in lost-lasting unfair trade deals, continued dependencies on the production and exports of unprocessed raw materials, and missed economic opportunities to build resilient economies.

52. To reverse this trend, strategic engagement is therefore needed to move away from the historical pit-to-port extractive models. OACPS countries need to identify areas of common interest to align positions in global negotiations on trade, investment and climate change.

53. Increased global and bilateral strategic engagements with key producing countries, may provide a new impetus to co-design and develop win-win framework agreements, that works for the benefits of all partners. These need to be clearly articulated and transparent, to avoid scenarios where economic and political conditions are attached to CRM partnerships or where the terms of the agreements are not aligned with the developmental needs of countries.

54. The path forward for OACPS countries is one of strategic engagement and unity. By leveraging their collective natural endowments and adopting cohesive strategies, they can ensure that their participation in global CRM dynamics not only bolsters their economic and technological advancements but also secures their political autonomy and strategic interests in the face of a complex and evolving global landscape to serve their own long-term interests.

Economic Interests

55. The growing global appetite for CRMs has intensified international focus on OACPS countries' reserves and resources. This presents a unique opportunity for ACP countries to leverage their geopolitical significance to attract investors in strategic domestic and regional industries, access financial markets to develop their mineral resources to bridge the expected supply gap and enter into strategic partnerships with partners willing to invest into technologies and innovation to support high value-added industrial ecosystems.

56. The economic significance of CRMs for OACPS countries cannot be overstated. However, this potential is often marred by a lack of value addition and local beneficiation. Most countries export raw materials without significant processing or refining, leading to lost opportunities for local industry development, job creation, and higher revenue streams.

57. To safeguard their economic interests, OACPS countries must develop comprehensive national and regional strategies for value addition, such as establishing local processing industries and enhancing technological capabilities. This would not only increase the economic returns from CRMs but also contribute to the development of local industries and the creation of high-quality jobs. Additionally, OACPS countries should pursue diversified economic partnerships to reduce over-reliance on export single markets and mitigate the risks of economic fluctuations and technological changes that may render some CRM redundant (and stranded).

58. Moreover, the volatility of CRM markets can lead to unstable incomes, making it crucial for OACPS countries to develop strategies that include stabilizing mechanisms, strategic reserves, and revenue diversification. Furthermore, there is a need for investment in local infrastructure and workforce skills to not only extract but also process and manufacture products with CRMs, aligning with the broader developmental agenda of industrialization, technological advancement, and sustainable economic growth.

59. OACPS need to advocate for more equitable and transparent global governance mechanisms for CRM extraction, value addition, trade and investment frameworks. This entails ensuring that trade and investment deals do not lock countries in the pit-to-port model of raw material exports, but rather respects national development and industrial objectives and support sustainable development, equitable investment practices that prioritize local benefits and capacity building, and enhanced participation in international decision-making forums. Furthermore, strengthening regional collaboration among OACPS members can bolster collective bargaining power, foster strategic partnerships, and diminish dependencies on external powers.

Social and Environmental Challenges

60. The extraction and processing of CRMs pose significant social and environmental challenges, including land and environmental degradation, water pollution, and community displacement. Often, the economic imperatives of CRM exploitation overshadow the social and environmental well-being of local communities, leading to social unrest and conflicts, damage to the reputation of countries, and long-term ecological harm, undermining the very development goals the exploitation of CRMs is meant to support.

61. OACPS countries must, therefore, ensure that the extraction and processing of CRMs are aligned with environmental sustainability and social welfare standards. This includes implementing and enforcing high environmental regulations, safeguarding the rights and participation of local communities, ensuring fair and transparent benefit-sharing mechanisms, and investing in the communities affected by mining operations. Furthermore, international partnerships and investments should be scrutinized for their adherence to sustainable and ethical practices.

Key Policy and Support Interventions

62. This section provides some options for consideration to OACPS member countries for targeted policy and support interventions. Given their natural comparative advantages, OACPS countries can leverage their geopolitical strengths, build synergies on shared objectives, and identify common areas for joint collaboration to navigate the complexities of the global CRM market.

PILLAR I: OACPS Strategy on Critical Raw Materials to Enhance Geo-strategic Engagement

An OACPS Organizational Strategy for Bargaining Power

63. As the global energy and digital economy take prominence, countries with industrial capacity to deploy technologies are strengthening and diversifying their supply chains. These technologies depend on an array of CRMs, some of which OACPS countries are key providers, as highlighted in the background paper. Secured and sustained access to CRMs remains essential with partnerships with producing countries constituting the most important strategic tool to secure access, in the light of tight commodity markets.

64. Given the importance of CRMs for OACPS countries, the organization needs to have its own strategy on minerals and metals in general, which includes a bold strategy on CRM. The strategy needs to have at least three sub pillars:

i. A Political and Diplomatic Sub Pillar:

65. Although OACPS member countries are developing their domestic and regional policies there is merit to have a broader OACPS policy on CRM to articulate what the group of 79 countries could do together. There are several reasons for that:

- The rising demand for CRMs enhances the commercial leverage of OACPS mineral wealthy countries. The bargaining power could be multiplied if OACPS countries develop common positions and collaborate even more closely.

- CRM is at the centre of global diplomacy for reasons mentioned above. In that regard, discussions and policy decisions around various aspects of CRM will take increasing prominence in Brussels and in other capitals. Given its physical location, OACPS can participate proactively in Brussels (such as conduct targeted lobby with EU member states, provide written submissions during consultations processes, engage with the European Parliament) to represent the interests of its member states. OACPS must also engage with other global partners in a similar manner to ensure the interests of its member states are safeguarded.

- As the section on trade above highlighted, the multilateral trading system seems to have reached a limit with respect to measures to help deploy technologies for the energy and digital transition. With the proliferations of domestic support mechanisms and industrial policies around CRMs, there are likely to increasing discussions at the WTO regarding the compatibility of those measures with international trade agreements. The ACP Group at the WTO should be strengthened so it can take a leadership role to ensure that any reforms of the multilateral trading system (MTS) to accommodate measures taken by advanced economies, are not made at the expense of developing countries.

- The longstanding partnership between the OACPS and EU can be strengthened and leveraged. In 2021, both parties concluded the new Samoa Agreement, which sets the context for future collaboration, in light of the burgeoning geopolitical landscape. However, the trade relationship between the EU and OACPS countries continues to be guided by a series of frameworks, such as the EPAs, EBA and GSP. These are far from optimal and do not reflect the current geopolitical context. To some extent, to address this gap, the EU is entering into new types of strategic partnerships on CRM with key producing countries. This may divide OACPS countries with regards to their economic relationship with the EU. OACPS need to engage the EU to ensure these do not go against the spirit of the recently signed samoa Agreement.

ii. An Economic Sub Pillar

66. This sub pillar will support OACPS countries with access to finance at affordable costs to develop new mines and build refinery capacities to accelerate supply of CRMs, investments in domestic and regional supply chains including in recycling and the circular economy, partnerships with institutions to foster innovation and R&D into strategic sectors as identified by OACPS states, support to small and medium scale enterprises (SMSEs), transfer of technology in specialized sectors to support countries in developing their own green technologies, amongst others.

iii. An Institutional Sub Pillar

67. An effective implementation of the CRM strategy *cum* policy needs to be supported by an institutional mechanism that informs various levels of the organizational governance as well as global interventions. It is therefore proposed to establish an OACPS Subcommitee on CRM.

68. The mandate of the Subcommittee would include the following key areas to ensure effective management and utilization of CRM resources among member states, namely:

- Develop and manage the OACPS CRM policy. The Subcommittee with develop a CRM diplomacy strategy and identify key policy processes to make a difference. The policy would allow OACPS countries to have targeted and coordinated responses and strategic positioning, therefore enhancing OACPS's bargaining power in international markets.

- Provide guidance to identify areas of common interest, where OACPS as a group, can work together to deliver on the economic pillar.

- Become knowledge hub on CRMs for OACPS countries by conducting regular assessments and maintain an inventory of CRM geological resources (including sea-bed mining resources) within the OACPS member states, analyze global market trends, demand, and pricing for CRM to inform strategy development.

- Policy Development and Harmonization: Develop common policy frameworks and guidelines for the sustainable and responsible extraction, processing, and trade of CRMs. The common frameworks will be based on the fundamental principles of the revised Georgetown Agreement and Samoa, and will build on existing regional frameworks, such as the Africa Mining Vision. They will support national and regional initiatives to strengthen the voice of OACPS countries in bilateral and global collaboration.

- The Subcommittee will identify areas where capacity building and technical support should be enhanced and will help design and implement programmes.

- The Subcommittee will provide regular reports and updates to member states and stakeholders on the evolving landscape of CRM, challenges that OACPS countries may face, and opportunities that can be leveraged.

PILLAR II: Engagement with Global Partners on Mutually Beneficial Arrangements

69. As an organization with a global reach, the OACPS is well placed to foster partnerships and collaboration with other international bodies, private firms, research institutions, and other stakeholders to leverage opportunities and attract investment in CRMs and their value chains.

i. Ensuring Transparency in Partnership Agreements to Ensure Consistency with Development Goals

70. As mentioned already, number of OACPS countries have already concluded bilateral agreements and strategic partnerships to govern access to CRM. These agreements should reflect the development goals of OACPS countries and support them in ensuring resilient domestic and regional value chain industries as a basis to foster economic diversification.

71. The OACPS can play an important role in analysing these agreements against consistency with national objectives, and to avoid risks of fragmentation among producing countries, which will erode collective negotiating bargaining power and efforts to obtain mutually beneficial deals.

72. OACPS can leverage its convening role to encourage countries with such partnerships to share their experience, so others can learn from them. It would help to increase transparency around those MOUs and keep track on whether they are delivering on the expectations or not.

73. Furthermore, the OACPS signed the Samoa Agreement, an overarching framework for EU-OACPS cooperation for the next two decades. The economic chapter of the Framework Agreement provides long-term certainty for implementing CRM related projects. Commitments have been made on economic transformation, industrialisation, beneficiation and value addition. The OACPS should actively pursued implementation of these provisions.

Building Strategic Alliances to Negotiation from Strength

74. The substantial reserves of CRMs in OACPS member states places them as pivotal players in global supply chains. The OACPS should capitalise on this strength and utilize the collective natural resource wealth as leverage in negotiations to ensure that agreements support OACPS developmental goals and sovereignty.

75. OACPS should facilitate collaboration among its member states for joint initiatives, such as shared infrastructure, and pooled resources. Similarly, it should engage regional organizations (to which its members states belong) to enhance collective bargaining power and geopolitical leverage so that their voices can be brought in global discussions.

76. OACPS should encourage and facilitate strategic alliances with other resource-rich countries and groups (such as with the G20 or the BRICS) to ensure interests of its members are considered. It should also engage with other alliances, such as the G7, the World Economic Forum, and the US- Mineral Security Partnership to help avoid creating a divide between the “Global North” and the “Global South”.

77. Furthermore, attention should be paid to initiatives such as the Africa Green Mineral Strategy and the UNIDO Global Alliance for Responsible and Green Minerals.

Support the Negotiations of Transparent, Fair and Equitable Trade and Investment Frameworks

78. Many OACPS countries and regions already have different types of trade and investment frameworks with their partners (such as EPAs, AGOA, bilateral investment agreements). As noted, recent years have seen an accelerated move towards the conclusion of ‘softer’ non-binding frameworks. As a matter of principle and for transparency, OACPS and its member countries should insist that all agreements (including non-binding MOUs and strategic partnerships) should be made publicly available.

79. Moreover, those trade and investment frameworks should be fair and equitable so that they are mutually beneficial. In particular, they should not prevent CRM producing countries from developing domestic and regional value chains, essential to create jobs and revenues.

80. Trade and investment frameworks must include strong sustainability standards, such as clauses related labour and human rights, social safeguards, responsible sourcing, environmental management, and protection of nature and biodiversity.

81. When such frameworks include investments in new sources of supply, they much ensure fair compensation for the use of non-renewable natural resources and for loss and damages to nature and biodiversity. On the production side, they must promote equitable financial benefit optimization.

Diversification of Partnerships

82. OACPS must work with its member countries to actively diversify trade and investment partners to reduce dependency on a single or a few countries. It must engage with a range of countries and regions to leverage geopolitical interest in CRMs for the best possible terms and benefits.

Levelling the Playing Field through Capacity Building

83. Partnerships should include commitments to build domestic and regional capacity across the life cycle of the mine (from exploration to post-closure), with a circular economy approach. This includes supporting producing countries to put in place mechanisms focused on minimizing waste and on maximizing resource efficiency, and more broadly in developing recycling industries.

84. Capacity building activities should focus on the training local workforce, transferring technology, and supporting infrastructure development.

Strengthening Legal and Regulatory Frameworks

85. OACPS should support its member countries to develop and enforce robust legal and regulatory frameworks to oversee foreign investments and operations, ensuring they align with national interests and international best practices in terms of labour and employment, environment and social impacts, and transparency, disclosure, and anti-corruption.

86. At the national level, OACPS should encourage its member countries to support the artisanal and small-scale mining sector. Policies that support and regulate artisanal and small-scale mining can mitigate the sector's environmental and social impacts while harnessing its economic potential.

PILLAR III: Trade and Industrial Development

87. The transition to low-GHG emission energy systems is underway with significant implications for all economies worldwide. According to the IEA, the world economy is expected to add as much renewable power in the next five years as it did in the previous 20 years. Moreover by 2030, one out of every two cars sold in the United States, the European Union and China could be electric. The projections given by the IEA reflect the trends in advanced and emerging economies and is therefore largely underestimated, considering that three out of four people live in developing countries.

88. Most of the developing countries are yet to set their targets for their energy and transport mixes. Reasons are known, technologies are currently too expensive and related infrastructures, such as battery storage facilities, and EV charging points, are still lacking.

89. That said, as the pace of adoption of renewable technologies increase, costs of technologies and related adoption are expected to decrease. They will become more affordable, both in terms of investments to manufacture them, and in terms of deployment, with significant green industrialization opportunities in OACPS countries.

Support to Industrialization and Private Sector Development

90. Green industrialization hinges upon the strategic management of CRMs, which offer a natural comparative advantage to asset owners. They provide a path toward sustainable economic growth and development for OACPS member states. The current momentum is expected to last for a few decades and therefore OACPS countries need to take up the opportunity to establish themselves as suppliers of choice, not of raw materials, but of alternative supply chain markets.

91. As the background study showed, the over-reliance on commodities is likely to deepen with the rising demand, and therefore increased supply of CRMs, if bold measures are not taken to change economic structures of producing countries. OACPS countries must turn what could become a challenge is the opportunity is missed, into an opportunity to stir their development pathways.

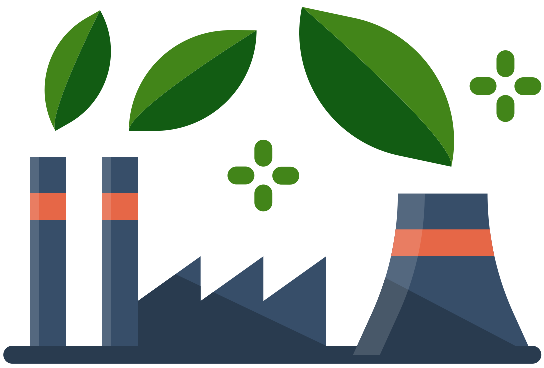
92. As the 2023 OACPS Private Sector Development Strategy rightly highlights, the return of industrial policies in developed countries provides an important signal: there will be no sustainable future for economies without well-thought through strategies to build or strengthen the industrial base, including guided by public policies. As mentioned, the imperative to embrace the green transition, irrespective of a country's historical contribution to GHG emissions, provides a breadth of options to CRM producing countries to develop their own green solutions, either domestically, or regionally, given their natural comparative advantages. While having the inputs and feedstock are clearly an advantage, they are however not sufficient to guarantee the success of industrial strategies in building competitive industries.

93. As mentioned, the growing demand for CRM is an opportunity for OACPS countries that should not be missed. Many countries have relatively undiversified economic structures and must therefore develop and strengthen domestic industrial capabilities.

94. It is therefore key to align the strategic considerations as put forward in the OACPS PSD strategy with opportunities that CRMs can provide to local industries. Particular attention should be given to support small and medium industries, which represent a significant part of OACPS private sector landscape, in taking advantage of business opportunities that CRMs can provide.

Fostering the Development of Value Chains

95. OACPS should promote the development of local and regional value chains around CRMs to capture more value within its member countries. This includes encouraging the mining and processing activities, and downstream manufacturing industries where CRMs are feedstocks. The OACPS Members should conduct a domestic and regional assessment of CRM resources and strategic feedstocks as well as the requisite human and physical infrastructure particularly Human Capital Development, Research Development and Innovation, 1.Transport and logistics, Energy Security and Information Communications, required for progress on own development path.



96. To maximise developmental impacts of mineral extraction, countries need to examine all dimensions of mineral linkages – backwards to suppliers, forwards to processing and manufacturing – fiscal and skills development for resource-based industrialisation. It will be important to diversify resource-based economies through expanding inter-sectoral linkages and using resource rents to fund human and physical infrastructure.

97. Regarding mining and processing supply chain (MSC) localisation, this is a key value-addition opportunity for OACPS to produce the requisite capital goods, consumables and services for CRM mining and processing. OACPS partners including the EU, could assist in developing these local supply-chains, through a focused investment venture capital funding (i.e. debt & equity), to invest in MSC pre-feasibility studies and projects, to underpin mining local content policies in OACPS.

98. To support industrialization, OACPS countries must implement business-friendly policies that attract investment and encourage value addition. This includes various forms of incentives, market access improvements, sectoral strategies, and the promotion of public-private partnerships.

99. Additionally, OACPS should encourage its member states to use the revenues and infrastructure improvements derived from CRMs to support economic diversification strategies, reducing dependency on raw material exports and fostering sustainable economic growth.

Price Stabilisation Measures

100. OACPS Members need to adopt strategies to stabilise CRM market prices which will protect OACPS economies from volatility and ensure sustainable revenue streams. The revival of mechanisms such as SYSMIN[1] could provide income support to countries affected by fluctuating global export prices. However, this mechanism needs to be much simpler than the Lomé Convention SYSMIN and the funds need to be made available with greater alacrity, possibly through the engagement of a mutually agreed competent neutral audit entity.

101. Another consideration for price stablisation is leveraging potential CRM producer power with other OACPS members and non-members. Possible candidates could be cobalt, Platinum Group Metals, manganese and bauxite-alumina-aluminium. However, bilateral supply agreements could undermine this opportunity.

Infrastructure and Technology Investment

102. OACPS should work with its partners to stimulate investment in infrastructure and technology to support sustainable mining practices, processing facilities, and downstream industries, enhancing the overall industrial ecosystem. Investment in infrastructure is necessary to help reduce production costs, boost market access, and spur further development in the CRM sector for OACPS countries and regions.

103. It is important to establish a collaborative framework with World intellectual Property Organisation (WIPO) to enhance technology ownership and intellectual property systems. This will unlocking the full potential of innovation and sustainable development of critical raw materials.

[1] SYSMIN: an EDF-funded mechanism that shielded ACP states from decline in income from export to the then European Community of designated mining products. The list of raw materials covered by the facility included copper, cobalt, phosphates, manganese, bauxite and alumina, tin and iron ore.

Energy

104. OACPS should prioritize investment in energy production and supportive infrastructure to create a conducive environment for developing critical raw material value chains. The focus should be on promoting beneficiation and value addition through CRM processing. Collaboration among OACPS Member States for joint initiatives such as shared infrastructure and pooled resources should be facilitate.

105. It is important to align the market dynamics related to CRMs and the need to roll out energy transition technologies with domestic and regional industrial ambitions. The revised PSD strategy is designed to provide a systematic and coherent framework to promote the private sector to support growth and reduce poverty in OACPS countries.

Enhancing and Investing in Research Development and Innovation (RDI)

106. RDI for CRMs extraction, processing, intermediates manufacture and the fabrication of RE equipment and plant is concentrated in the EU and other developed countries. Specific technologies need to be developed to tackle particular OACPS' deposits and ores, which could add to resources and supply stability for the EU, and particular climatic conditions (RE equipment). The capacity to undertake this RDI should be built in the partnership agreements, through twinning arrangements with for instance EU RDI entities, along the lines of the PanAfGeo initiative, funded by the EU "Horizon Europe" and also through the creation of a special CRM RDI window.

Access to finance

107. OACPS should engage international and regional financial institutions to support the development of appropriate innovative financing mechanisms that will address the challenges of access to finance.

108. Funding is required for exploration, mining, processing of CRMs and manufacture of intermediates for the fabrication of RE equipment and EVs. Such financial support might best be created through a dedicated window, for CRM value-chain products supply.This could be pursued through financial instruments such as the NDICI-Global Europe facility.

109. Artisanal and small-scale miners, who play a significant role in the production of critical raw materials, face substantial challenges in accessing finance. To support these miners effectively, it is crucial to provide small grants and facilitate gender-sensitive access to finance. This initiative should be undertaken in partnership with financial institutions to ensure that the specific needs of all miners, including women and youth are adequately addressed. By doing so, we can enhance their capacity to contribute to the sector and promote inclusive economic growth. While, increasing mining activities, and potentially more resource-based industrial activities may create new jobs opportunities, including for women, youth and local communities.

Human Resource Development

110. Science, Technology, Engineering and Mathematics (STEM) training for CRM extraction and value-addition is critical for OACPS to fully realise the economic opportunities embedded in these raw materials.

111. OACPS should pursue twinning arrangements with training institutions, universities and research institutions to strengthen and expand STEM skills for CRM value chains.

112. In a similar vein, partnerships with international organizations such as the International Labour Organization is necessary to develop skills anticipation programs to adapt school curricular and other training programs (such as vocation and technical training programs) with the realities of the changing labour force.

PILLAR IV: Sustainable Development

113. OACPS CRM rich countries will undoubtedly experience an increase in investments in new mining projects, alongside expansion of existing projects, to meet the growing demand for CRMs. However, it is crucial that these projects do not adversely impact vulnerable communities, exacerbate existing conflicts, cause environmental damages or loss of biodiversity.

Environment Social Governance (ESG) Regulatory Compliance

114. Strengthening ESG compliance capacities is essential for sustainable development. OACPS must seek to enter partnerships with standard setting bodies (such as The Copper Mark, Mining Association of Canada, ICMM, IRMA, EITI) to support capacity building and help countries design dedicated ESG strategies to help meet international standards.

115. Many CRMs are found in artisanal and small-scale mining (ASM) environments and the demand from EU and elsewhere could lead to uncontrolled ASM mineral “rushes” with numerous governance challenges and threats around ESG compliance, fiscal revenues and illicit financial flows (IFFs) and supply-chain development. Strengthening ESG compliance capacities is essential for sustainable development. Partnerships in capacity building and dedicated ESG strategies will help meet international standards.

116. In this regard, a well-configured support package will be needed to turn this threat into an opportunity. Many states will need assistance in managing the dual threat and opportunity nature of ASM to strengthen governance and regulation institutions in parallel with technical extension services for miners to ensure that resource rents accruing from exploiting small scale deposits are not lost at the expense of mines surrounding communities or ecosystems.

Environmental Stewardship

117. In addition to ESG, OACPS countries must commit to adopt environmental safeguards and enforce high environmental and sustainability standards for the extraction and processing of CRMs. Measures should include the enforcement of domestic laws protecting the environment and the management of water resources as well as global commitments to protect biodiversity.

118. With respect to mining activities, members should enforce the requirements of the permitting process with respect to environmental and social impact assessments at mine sites, the management and disposal of wastes, management of tailings storage facilities and the rehabilitation of mining sites after closure.

119. Enforcement of mining regulations should apply to all sizes of mining operations (i.e. artisanal, small, medium size and large-scale mining) and all types of operators (i.e. domestic companies, foreign investors, state-owned companies, JVs etc).

Social Responsibility

120. It is important to ensure that CRM activities contribute positively to local communities through job creation, fair wages, community development projects, and respect for indigenous rights and land.

121. In addition, OACPS countries will need to manage social expectations, and ensure that new mining projects do not come at the cost of local communities and other stakeholders such as local farmers. It must encourage its member states to consult local stakeholders in early stages of mining development to avoid backlash and unrest and to put in place mechanisms for adequate compensation of displaced communities and equitable sharing benefits.

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