



Side event 2023 ECOSOC Financing for Development Forum Domestic resource mobilization through trade: Adding value to critical minerals in developing countries while supporting the energy transition”

I. Background information:

1. Date: Wednesday, 19 April 2023, 1:30 p.m. - 2:30 p.m
2. Venue: UNCTAD New York Office of the Secretary-General 2 United Nations Plaza, 11th floor, DC2-1122, 44th street between 1st and 2nd avenue, New York NY 10017. In person and online.
3. Organizers: UNCTAD and UNEP (Chair of the Secretary-General Working Group ‘Transforming the Extractives Industries for Sustainable Development’) with Zimbabwe

II. Abstract:

In this event we explore the untapped potential of critical minerals in developing countries. We look at linkages between adding value to critical mineral and economic transition while supporting a just energy transition. With the global energy transition on the rise, there's an increasing demand for these minerals, providing a unique opportunity for mineral-rich developing countries to boost their economies and achieve multiple sustainable development goals. However, to maximize the benefits, we need to create a sustainable resource management and trade strategy that promotes domestic resource mobilization and job creation while managing environmental and social impacts. This requires building an enabling ecosystem that fosters synergistic linkages between increasing domestic value-added, achieving the energy transition, and ensuring that revenues from developing national mineral reserves contribute positively to long-term economic development, create new green jobs, and secure sustainable local opportunities. Our expert speakers will discuss the role of trade, investment, and industrial policies in this process, and how international cooperation frameworks can ensure a fair and sustainable outcome for all.

This event will explore the linkages between adding value to critical mineral in developing countries while jump starting economic structural transformation and supporting a just energy transition. The increase in demand for critical minerals associated with the global energy transition offers trade and development opportunities for mineral-rich developing countries including least developed countries (LDCs). A strategy for sustainable resource management and trade of critical minerals can lead to high-impact initiatives for those countries achieve to SDG7

while advancing – **SDG 1, 3, 5, 6, 8,9,10,11, 12, 13, 14, 15, 16 and 17**. The global energy transition is already boosting demand for critical minerals, requiring an estimated \$1.7 trillion in global mining investment in the next two decades. However, to capture these benefits and increase domestic resource mobilization, countries (set of countries) need to build enabling ecosystems that allow the creation of synergistic linkages between increasing the domestic value-added from the critical mineral production, generating jobs, achieving energy transition, managing social and environmental impacts (biodiversity loss, pollution, GHG emissions). . An integral treatment of trade, investment and industrial policies plays a key role in this regard. At the same time, international cooperation frameworks are to be identified to ensure the sustainable management and industrial policy of developing countries would not be done at the cost of mineral-poor developing countries. This event links well with the initiative ‘Harnessing Critical Energy Transition Minerals for Sustainable Development in Least Developed and Land-Locked Developing Countries - Just Transitions in Low Carbon Technologies’ proposed by the Secretary-General Working Group ‘Transforming the Extractives Industries for Sustainable Development’. The initiative builds on the Secretary General’s priorities to Transform the Extractives Sector for Sustainable Development.

III. Full description:

Rare earth minerals are a specific group of 17 elements with unique properties, while critical minerals encompass a broader range of minerals, that are essential for renewable energy and energy efficient technologies. Rare earth minerals such as neodymium, praseodymium, and dysprosium are used in the production of permanent magnets that are used in wind turbines, neodymium and dysprosium in electric vehicle motors, europium and terbium in energy-efficient lighting, and critical minerals such as lithium, copper, cobalt, and nickel in batteries for electric vehicles and energy storage systems. As the critical minerals have a central role in the transition towards renewable energy, it is expected that their global demand will increase substantially in the coming years and decades.

Many developing countries possess critical mineral reserves. China accounts for 80 % of global rare earth mineral production. Brazil, India, Russian Federation and Viet Nam also possess significant rare earth reserves. Additionally, critical mineral reserves have more recently been discovered in Africa. The Democratic Republic of Congo (DRC) has one of the largest reserves of cobalt in the world and has significant deposits of rare earth minerals such as cerium, yttrium, and neodymium. South Africa is a major producer of platinum group metals (PGMs) such as platinum, palladium, and rhodium, which are critical minerals used in the production of catalytic converters and fuel cells used to generate electricity from hydrogen. Madagascar, Morocco, Namibia also possess large critical mineral reserves including graphite, vanadium, uranium, copper, lithium and phosphates as well as numerous rare earth minerals such as yttrium, cerium, lanthanum, dysprosium and neodymium.

Developing countries can add value to their rare earth mineral reserves by adopting trade, investment, and industrial policies to build in-country downstream value chains. These policies must foster the development of local processing industries and create a favorable climate for domestic and foreign investment in critical mineral exploration, production, and processing. Investment policies can provide infrastructure, tax incentives and production subsidies for value added products. Trade policies may be employed to manage the raw mineral export volumes, facilitating imports of goods and services crucial for increasing the domestic value-added when converting raw minerals to mineral-based products, and providing a stable and predictable regulatory framework for trade. It is important that those policies on investment, trade, and industrialization are designed, implemented, and monitored in a coherent manner. Mexico and Chile for instance have put in place policy to ensure the government can benefit from the exploitation of these resources. At the same time, the sustainable production, trade and usage of critical minerals cannot be a zero-sum game vis-à-vis mineral-poor developing countries. Those countries will need the support of the international community to access know-how, technologies, critical minerals, and mineral products in a manner that contribute to their energy transition and long-term sustainable development meet their Addis Ababa Action Agenda commitment and the SDGs.