

Mining has opportunity to engage, reset and invest

(Johannesburg – October 3rd, 2019) South African mining executives, investors and officials gathered at the second day of the Joburg Indaba conference today where the discussion was kicked off by Mining Minister Gwede Mantashe.

Mantashe said he has been called a coal fundamentalist, but is a realist: “We will have coal for the rest of our lives, but coal must invest in clean technologies. I’m fundamental about the security of energy supply in SA while we meet our commitments on climate change. Clean coal is the way to go.”

While load shedding and the impact of coal prices on Eskom remain challenges, Mantashe said the industry has a responsibility to ensure mining is consistent in its performance and maintains its production levels and sustainability for the sake of the broader economy.

He encouraged the industry to engage with the department candidly: “Mining is not a diplomatic activity and our messaging is bad. As you open new operations, there are no news headlines. I am appealing to you to communicate your successes effectively so the world sees mining as creating jobs and growing the economy.”

Two decades ago, most mining companies assumed that environmental and social governance (ESG) would be addressed down the line, after more pressing concerns. But as pointed out by Blackrock (London) Evy Hambro, there has been a significant shift in this direction: “At every client encounter we’re asked about ESG and it’s having an impact on how we allocate our funds – ultimately this will also impact commodity prices and therefore the market value.

“We must take a global approach to investment; it’s important to reflect on the global landscape for capital allocations.”

This was echoed by Accenture’s Rachel Bartels: “It’s about how circular the business is – how do you eliminate waste and reduce toxic and non-renewable materials. There is a tremendous opportunity right now for the mining industry to do a re-set. The companies that change fastest today will be the winners tomorrow.

“Companies like Rio Tinto are providing low carbon aluminum to Nespresso for example. The distance between your product and the end consumer is a far shorter distance now. This is our biggest opportunity to attract new blood into the industry.”

This was tempered by members of the panel who warned against the danger of environmental policies crowding out equally necessary social policies – that the carbon-free future has a cost that emerging countries may not be in a position to bear.

F11 director and former union representative Frans Baleni advised that unions need to join the fray and let go of the narrow interest they currently show: “We are stakeholders in ensuring the sustainability and prosperity of this industry, so we should be contributing. We cannot say we don’t want renewables or new technology because then change will manage us; the world will pass us by and we will have no future.”

Eskom CEO Dr Jabu Mabuza threw down the gauntlet when he told delegates that the high cost of coal should not be among Eskom’s many challenges; that everyone needs to put the interests of the country

ahead of profits: “We propose an industry-wide collaboration to co-create the energy future for our country.

“We will reduce coal share by 31% to 46% by 2030 with the introduction of renewable energy sources. We support an energy mix that is based on providing reliable energy to the consumer at a reasonable price.”

Efficient Group chief economist Dawie Roodt, however, indicated that the only way to resolve Eskom’s problems would be to immediately retrench 20 000 employees.

The introduction of new technologies into mining was seen by all as offering massive opportunities, with another plea to communicate the importance of the mining industry to investors and consumers who don’t understand that even new green technologies require the mining industry for their existence.

Chairperson of Women in Mining SA Thabile Makgala welcomed the growth of mechanization in mining as this will assist more women to enter the industry: “As we see more remote operations, we will see improved gender diversity.”

The ‘just’ transition to modern mining has no simple answer, but as Chairman of the Joburg and Junior Indabas Bernard Swanepoel noted in closing “We’re having the right conversations and that’s what is important.”