

AFRICA RISK CONSULTING

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DRC Summary 19 April 2024

President Felix Tshisekedi (2019-present) on 1 April appoints Judith Tuluka Suminwa as prime minister. United Kingdom (UK)-headquartered RAID and the DRC's African Resources Watch (Afrewatch) release a report on 27 March revealing that river water near cobalt and copper mines may be toxic and causing widespread health problems. Chinese electric vehicle giant BYD's 9 April announcement of its next-generation Blade EV battery could negatively impact nickel and cobalt producers in the DRC. Government is reportedly seeking advice from international industry organisations on measures to raise the battery metal's price, including potential export quotas.

Tshisekedi appoints new prime minister...

President **Felix Tshisekedi** (2019-present) on 1 April appointed **Judith Tuluka Suminwa** as prime minister of the DRC, filling a role that has been vacant since former minister **Sama Lukonde**, who had been in office since 2021, tendered his resignation to Tshisekedi on 20 February, triggering a dissolution of his government.¹ Lukonde tendered his resignation eight days after the validation of his mandate as a national deputy, opting to become a member of parliament (MP) following his election in the December polls as the representative of **Kasenga** district (**Haut-Katanga** province).² DRC's constitution notes that serving ministers cannot be members of parliament, which means an official must decide between remaining a legislator or resigning to join the government.³

Before her appointment, Suminwa was planning minister and has a history of working in **United Nations (UN)** agencies and government. She studied at the **Universite Libre de Bruxelles (Belgium)** and the **Facultes Universitaires Catholiques (France)**.⁴ Suminwa acknowledged after her appointment that *"the task is great and the challenges immense"* but with the support of Tshisekedi and the country, *"we will get there"*.⁵

While Suminwa's appointment brought to an end weeks of political uncertainty following Lukonde's resignation, she is faced with a daunting task during her premiership. While the economy is expanding rapidly on the back of the mining sector, the ongoing conflict in the east continues to destabilise the country. A local source told **Africa Risk Consulting and Briefing (ARC Briefing)** that Suminwa's appointment is *"historic"* and that there is no doubt that she is talented *"but the job is very tough as Lukonde found out"*.⁶

Rivers near copper and cobalt mines are reportedly toxic...

United Kingdom (UK)-headquartered RAID and the DRC's **African Resources Watch (Afrewatch)** released a report on 27 March revealing that river water near some of Congo's cobalt and copper mines may be toxic and causing widespread health problems.⁷ The report, which is based on 19 months of research in 25 villages and towns near five major mines owned by **Switzerland's**

¹ DRC Presidency, 20 Feb 2024

² Africa News, 22 Feb 2024

³ Africa News, 22 Feb 2024

⁴ Reuters, 1 Apr 2024

⁵ Africa News, 22 Feb 2024

⁶ ARC Source, Local Source

⁷ RAID and Afrewatch, 27 Mar 2024

Glencore, Kazakhstan’s Eurasian Resources Group (ERG) and China’s CMOG Group and Zijin Mining Group, indicates that more than a century of mining in the region has made local key water sources unusable and that pollution is increasing.⁸ The report details that in March **University of Lubumbashi** scientists tested toxicity levels in four rivers near some of the DRC’s largest mines and found them to be “*very acidic*” or “*hyper-acidic*” meaning they can no longer host fish and that the water is toxic for human and animal health.⁹

Nearly all the fishermen and farmers interviewed for the study also revealed that their catches and harvests have decreased “*dramatically*” in recent years.¹⁰ Miners in the DRC, which in 2013 surpassed **Peru** to become the second-largest copper producer and provide nearly 70% of the world’s cobalt, have also been documented to use substantial amounts of acid to process ore into cobalt and copper.¹¹ However, the mining companies that spoke to RAID and Afrewatch largely blamed “*historic pollution*” from older mining, contamination from artisanal mining and other activities for the toxicity of the waterways.¹²

Glencore responded that it monitors its water quality in line with both local regulations and global best practices while CMOG emphasised its commitment to abiding by environmental laws and said that it regularly monitors drinking water, surface water and groundwater.¹³ Zijin said that it regularly tests water and quality and has enacted measures to prevent seepage of alkali and acid wastewater from its operations.¹⁴ ERG also commented that its operations do not discharge into local rivers and its monitoring shows no pollution.

Under the DRC’s mining laws, companies should prevent toxic water from contaminating local waterways and groundwater. If the results of the RAID-Afrewatch study are validated, it could result in punitive measures against the four major mining companies, with substantial financial penalties. While the companies have denied all blame, the villagers documented in the study are convinced that only heavy mining could have caused such disastrous effects on river water. Even if found guilty, foreign mining companies often know how to play the local political system to their advantage by paying off local officials or reducing financial penalties, however, international pressure could play a major role in dealing with the issue if the report’s results are validated by other sources. The government has yet to address the issues raised by the report.

New next-generation blade EV battery could negatively impact DRC

Chinese electric vehicle giant **BYD**, which last year surpassed **United States (US)**-based manufacturer **Tesla** to become the world’s largest producer of electric vehicles (EVs), announced on 9 April that its next-generation Blade EV battery will be released in August, potentially impacting the nickel and cobalt industry worldwide.¹⁵ The new BYD battery comes with 27% more energy density than its current power pack and allows cars to travel 1,000km on a single charge, and is already being used to manufacture EVs for Tesla and **South Korean** multinational automobile manufacturer, **Kia**, and is sold to suppliers of US automotive giant **Ford** and **General Motors**.¹⁶

It is expected to be very popular which will create apprehension among nickel and cobalt producers in both the DRC and **Indonesia** as it uses lithium iron phosphate (LFP) - a blend of minerals and metals that are much more widely available and environmentally sustainable than the traditional nickel cobalt manganese batteries (NCM).¹⁷ Since lithium and ion are much easier to source than cobalt and nickel, LFP batteries are more affordable than NCMs which means that the global auto

⁸ Bloomberg, 27 Mar 2024; RAID and Afrewatch, 27 Mar 2024

⁹ RAID and Afrewatch, 27 Mar 2024

¹⁰ RAID and Afrewatch, 27 Mar 2024; Bloomberg, 27 Mar 2024

¹¹ Bloomberg, 27 Mar 2024

¹² RAID and Afrewatch, 27 Mar 2024; Bloomberg, 27 Mar 2024

¹³ RAID and Afrewatch, 27 Mar 2024; Bloomberg, 27 Mar 2024

¹⁴ RAID and Afrewatch, 27 Mar 2024; Bloomberg, 27 Mar 2024

¹⁵ The Electric Viking, 9 Apr 2024; The China Global South Project, 10 Apr 2024

¹⁶ The China Global South Project, 10 Apr 2024

¹⁷ The Electric Viking, 9 Apr 2024; The China Global South Project, 10 Apr 2024

sector may no longer require as much cobalt and nickel from the DRC and Indonesia if NCMs fall out of favour.¹⁸

In a further hit for the DRC, nickel and cobalt prices are already 80% off their highs from a few years ago (see below).¹⁹ Combined with EV demand slumping in key markets and advancements of LFP batteries, demand will most likely remain weak for those critical minerals for quite some time.²⁰

DRC seeks outside advice on imposing cobalt export curbs...

The DRC is seeking advice from international industry organisations on measures to raise the battery metal's price, including potential export quotas, the country's latest attempt to gain greater control of its critical minerals, with cobalt prices having dropped by two-thirds since mid-2022 as global supply races ahead of them.²¹

In a February cabinet meeting, Tshisekedi expressed frustrations about a slump caused by a glut amid excessive supplies from the DRC.²² Minutes from the meeting indicate that Tshisekedi instructed then-prime minister Lukonde to look at "*the necessity of introducing export quotas*" or any other measures to achieve a "*fair price*" for cobalt, with a local regulatory body instructed to draw up possible plans.²³ The regulatory body is reportedly now soliciting views from international industry and research organisations about potential policies.²⁴ Work on potential reforms continued despite being slowed by the dissolution of Lukonde's government in February. A proposal is expected to be submitted to the new government to be formed and led by Tuluka.²⁵

CMOC, which is the world's largest producer of cobalt, followed by Glencore and ERG, is one of the main reasons why cobalt prices have plunged in recent months - CMOC increased its output by more than 170% in 2023 due to surging production at its \$1.8 billion **Kisanfu Mine**, which helped the company to officially surpass Glencore as the world's largest producer of cobalt.²⁶ The company's copper output also increased by 51% to 419,539 tonnes, solidifying its status as one of the world's top producers at a time when many global miners were struggling to increase production.²⁷ While traders and investors had expected a large boost in CMOC's output after it brought Kisanfu online in the second quarter of last year, the Chinese company's full-year results exceeded its production guidance by more than 20%.²⁸

However, the surge in production at Kisanfu, a rebound of exports at CMOC's **Tenke Fungurume Mine (TFM)**, one of the world's largest battery-metal mines, and increasing production in Indonesia triggered a sharp 30% slump in global cobalt prices last year.²⁹ The large mismatch between demand and supply became so severe that Glencore began to stockpile surplus cobalt at its DRC bases in mid-2023 to bring the market back into balance.³⁰ CMOC's control of two of the world's largest mines that produce cobalt and copper gives it massive leverage in controlling global supply and prices and though they have not publicly commented on the export controls, CMOC and other businesses in the cobalt supply chain are closely following government deliberations.³¹

Government officials are also reportedly divided on whether to enact export restrictions on the export of cobalt. Some officials see the restrictions as a necessary response to the oversupply of cobalt, while

¹⁸ The China Global South Project, 10 Apr 2024

¹⁹ The China Global South Project, 10 Apr 2024

²⁰ Inverse, 9 Apr 2024; The China Global South Project, 10 Apr 2024

²¹ Yahoo Finance, 11 Apr 2024; Mining Weekly, 11 Apr 2024

²² Bloomberg, 11 Apr 2024; Yahoo Finance, 11 Apr 2024

²³ Bloomberg, 11 Apr 2024; Yahoo Finance, 11 Apr 2024

²⁴ Yahoo Finance, 11 Apr 2024; Mining Weekly, 11 Apr 2024

²⁵ Yahoo Finance, 11 Apr 2024; Mining Weekly, 11 Apr 2024

²⁶ China Global South Project, 12 Jan 2024; Bloomberg 4 Jan 2024

²⁷ Bloomberg 4 Jan 2024

²⁸ China Global South Project, 12 Jan 2024; Bloomberg 4 Jan 2024

²⁹ China Global South Project, 12 Jan 2024; Bloomberg 4 Jan 2024

³⁰ China Global South Project, 12 Jan 2024; Bloomberg 4 Jan 2024

³¹ Bloomberg, 11 Apr 2024; Yahoo Finance, 11 Apr 2024

others worry they could make the metal less attractive to use in batteries.³² The government is considering such measures at a time when EV batteries that do not contain cobalt are becoming more popular (see above). However, **United Kingdom**-based specialist trading house, **Darton Commodities** said in February that the EV sector is expected to account for 62% of cobalt demand by the start of the decade, up from a third in 2023.³³

The dominance of critical mineral global supply chains by Chinese entities has also led to major concerns among US and Western officials who are seeking to weaken China's hold. Western lawmakers are pushing for much more stringent measures to counter Chinese dominance of the global cobalt chain, including sanctions that would restrict all imports of the precious metal mined by Chinese firms in the DRC (see *ARC Briefing DRC Nov 2023*).³⁴ However, proposed legislation to restrict the import of Chinese mined and refined cobalt could push up prices of electronics for consumers globally.³⁵ DRC officials seem inclined to implement export controls on cobalt to boost the critical metals price. Still, the negative impact on global consumers could be a major repercussion, which could force them to rethink their implementation.

Planner

Apr 2024 **South Kivu (DRC) Mission de l'Organisation des Nations Unies pour la Stabilisation en République démocratique du Congo (MONUSCO)** to close its bases in South Kivu province;

Dec 2024 **Kinshasa (DRC) End date of peacekeeping mission Mission de l'Organisation des Nations Unies pour la stabilisation en République démocratique du Congo (MONUSCO);**

15 Dec 2024 **Kinshasa (DRC) End date of the Southern African Development Community (SADC) Mission in the Democratic Republic of Congo (SAMIDRC) peacekeeping mission;**

Chronology

17 Apr 2024 **Kinshasa (DRC) Africanews. United Nations** high commissioner for human rights **Volker Turk** appeals to the international community to focus more on the conflict in eastern DRC;

10 Apr 2024 **Kinshasa (DRC) The China Global South Project.** A 220-strong contingent of **Chinese** peacekeepers with the **United Nations (UN)** stabilisation mission in eastern DRC attend a departure ceremony as the force withdraws from DRC;

8 Apr 2024 **Kinshasa (DRC) Mining Weekly. Autorité de Régulation de la Sous-traitance dans le Secteur Privé (ARSP)** (regulatory authority for subcontracting in the private sector) announces a new agreement with **China's CMOC Group** to ensure greater local participation in the value chain of the **Tenke Fungurume Mining** project;

8 Apr 2024 **Dar es Salaam (Tanzania) Africanews. Southern African Development Community (SADC)** confirms that mortar fire killed three Tanzanian soldiers deployed as part of the SADC peacekeeping mission in eastern **Democratic Republic of Congo (DRC);**

4 Apr 2024 **Kinshasa (DRC) Bloomberg.** The DRC suspends nine subcontracting companies working at mines run by **Kazakhstan's Eurasian Resources Group (ERG)**, with government alleging that the firms are not controlled by Congolese nations as required by law;

2 Apr 2024 **Kinshasa (DRC) Daily Maverick. South Africa's National Prosecuting Authority (NPA) Asset Forfeiture Unit (AFU)** obtains a preservation order for bank accounts and

³² Mining Weekly, 11 Apr 2024; Bloomberg, 11 Apr 2024

³³ Bloomberg, 11 Apr 2024; Yahoo Finance, 11 Apr 2024

³⁴ China Global South Project, 15 Nov 2023

³⁵ China Global South Project, 15 Nov 2023

properties of former Brigadier **Ngoy Timothee Makwamba**, who the DRC assigned as defence attaché to South Africa;

28 Mar 2024 **Kinshasa (DRC)** *Bloomberg*. The head of the **United Nations (UN)** peacekeeping mission in the DRC, **Bintou Keita**, tells the **UN Security Council (UNSC)** that a humanitarian disaster is unfolding in the DRC as fighting rages across the country's mineral-rich eastern provinces;

27 Mar 2024 **Kinshasa (DRC)** *Global Coffee Report*. **Switzerland**-headquartered **Nespresso** announces it will invest \$20m to revive the speciality coffee industry in DRC;

25 Mar 2024 **Kinshasa (DRC)** *The Herald*. DRC surpasses **Peru** as the world's second-largest copper producer;

23 Mar 2024 **Lusaka (Zambia)** *The Herald*. Zambia hosts the **Southern African Development Community (SADC) Double Troika Summit** to discuss regional peace and security missions in the **Democratic Republic of Congo (DRC)** and **Mozambique**;

22 Mar 2024 **Nairobi (Kenya)** *The East African*. Prime cabinet secretary **Musalia Mudavadi** says that the **East African Community Regional Force (EACRF)** that served in **Democratic Republic of Congo (DRC)** last year was a successful mission despite the mission being asked to leave by the Congolese government because it did not successfully target the **M23** rebel group;

20 Mar 2024 **Kinshasa (DRC)** *Mining Weekly*. **Canada**-headquartered **Barrick Gold's** CEO **Mark Bristow** says during a visit to DRC that the company is seeking new opportunities in gold and copper in partnership with the Congolese government;

19 Mar 2024 **Kinshasa (DRC)** *Financial Times*. **United Nations** representatives say fighting between **M23** rebels and government forces has intensified around **Goma**, with rebels reportedly closing in on the city;

19 Mar 2024 **Kampala (Uganda)** *BBC*. Security forces say they are on high alert after fighters from the **Islamic States**-linked **Allied Democratic Forces (ADF)** crossed over from the DRC into Uganda over the weekend;

15 Mar 2024 **Goma (DRC)** *Bloomberg*. Industry analysts say that the world's supply of tantalum, an essential component in most computers and mobile phones, is under threat as armed rebels in eastern DRC have encircled **Goma**, a key trading hub;

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