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New report warns that political instability and funding shortages for exploration and development of critical minerals will slow down the green transition

- A new report published today warns that political instability and funding shortages for the exploration and mining of critical minerals will challenge efforts to meet demand for the green transition.
- Increased political risks and resource protectionism over the exploration, mining, development, and export of critical minerals are making it harder to attract significant capital to the upstream market.
- Export controls in Latin America, Africa and Asia, restrictions on foreign investment, and a weakened WTO regime leave mining companies exposed. Current political risk guarantees cannot protect against political interference.
- Rising geopolitical tensions and the undeniable effects of climate change have propelled governments and communities into action, with multiple incentive packages, friend-shoring agreements and new industrial policies.
- However, experts cast doubt over the affordability and efficacy of policy initiatives such as the EU Critical Raw Materials Act and the US Inflation Reduction Act, designed to wrest control from China. The incentives for upstream activities are not compelling enough for investors to move away from more secure investments.
- A lack of consensus around ESG standards and implementation weakens complex relations between government, investors, miners and communities.

London, 12 October 2023 – Marlow Global publishes a new report today, [Green Ambitions and Raw Realities](#), that warns that the global community must invest in the exploration, mining and development of critical minerals if it is to meet the demands of the green transition. The report brings together the views of leading experts and practitioners. It explores the ESG and political risks facing mining companies, the efficacy and impact of new regulatory packages designed to boost access to critical minerals, and the consequences of the “spaghetti bowl” of ESG measures that impede mainstream capital investment into projects.

Rising tensions with China, the pandemic and the outbreak of the war in Ukraine have exposed the fragility of mineral supply chains and pushed critical materials to the top of the international agenda. There has been a dawning realisation over the past few years that China dominates every step of the critical minerals value chain. But the flurry of policy initiatives, incentive packages and bilateral and multilateral partnerships over

the past year, designed to wrest back control, have left experts and mining companies frustrated.

Alisa Helbitz, co-Managing Partner of Marlow Global, says: “The demand for critical minerals is unlikely to abate but the rhetoric does not meet reality. You can’t refine or produce green technologies without the raw materials.”

The report finds that the primary burden of managing multinational, national and subnational political risk in the critical raw materials (CRM) mining space falls squarely on mining companies and their shareholders. Resource protectionism is an ongoing feature of the extractives sector, with threats of nationalisation of foreign mining interests, export controls, and foreign investment restrictions on the rise. Alongside this, resource-rich nations are finding it difficult to balance the need for foreign investment with domestic beneficiation.

Exploration is a risky business with long investment horizons from exploration to commercially viable businesses. It is far from certain that there will be sufficient capital available to fund upstream projects – despite an uptick in funding from green bonds, private equity and industrial players who have a direct interest in securing access to the raw materials.

Ludivine Wouters, Marlow Global Advisory Board, says: “Payback time on a mining venture can be up to a decade – a timeframe that most investors and shareholders are typically less enthusiastic about.”

New legislation and incentive packages to secure access to minerals and propel new green technologies are ambitions but far from perfect according to the experts interviewed in the report. The IRA is uncapped and arguably unaffordable. The EU’s Critical Raw Materials Act is non-binding. The CRM agenda is beset by conflicting national security and environmental interests.

Laura Rich, Marlow Global Advisory Board, notes:

“There needs to be a greater understanding of the industry as an operating space, where the technical requirements – such as battery technologies, smelters, and refineries – are recognised and catered for.”

An absence of universally agreed risk matrices and performance standards also challenges financiers to effectively assess investments. It is too early to tell whether new frameworks such as the International Financial Reporting Standards Sustainability Disclosure Standards, and the Global Reporting Initiative, will balance qualitative and quantitative disclosures effectively.

Simon Wolfe, co-Managing Partner of Marlow Global, says:

“We don’t yet have all the answers for how we might deal with the challenges of political instability and access to increased financing, but we certainly have to start by recognising they exist – without, we are doomed to fail before we begin.”

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For media enquiries, please contact:

Hannah Wendland at hwendland@marlowglobal.com / +44 7501 892943

Notes to Editors:

1. Marlow is a global advisory firm which specialises in advancing economic and commercial diplomacy and protecting politically exposed assets and investments. We run international political, legal, media and public affairs campaigns, with expertise in challenging geopolitical environments.
2. The Marlow Global Advisory Board includes John Hughes (Chair), Hanna Doller, Paul Kolbe, Peter Leon, Anton Mifsud- Bonnici, Mike Rann, Laura Rich, Aly-Khan Satchu, Frank Schauff and Ludivine Wouters.
3. Interviewees who have contributed to the report include Karen Hanghoj, Joel Coward, Ton Bastein, Jo Feldman, Timothy Foden, David Hawkins, Lisa Koch, Olivia Lazard, Diego Marin, Susannah McLaren, Olimpia Pilch, Patrick Schröder, Jamie Strauss, Philipa Varris and members of the Marlow Global Advisory Board.
4. The full report is available to download on the Marlow Global website: <https://marlowglobal.com/greenambitions>