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Development Minerals and the Energy Transition: Lessons from Ghana

Idea Generation Hub at the Alternative Mining Indaba (AMI) 2024



Wed. 7th February, 2024
9:00 - 10:30 CAT (7:00-8:30 GMT)



**Double Tree by Hilton, Cape
Town.**

acep.africa



Introduction

The role of critical minerals in driving the transition away from fossil fuels is now axiomatic. These minerals are essential in developing renewable energy technologies such as solar panels, wind turbines, battery technology and magnets for the prime movers of renewable energy systems. In fact, battery technology has emerged as a key lever for overcoming the intermittency constraint of renewable energy technology.¹ Lithium happens to exhibit unique chemistry as a linchpin for efficient energy storage and release, thus positioning it as a critical mineral for driving the widespread adoption of electric vehicles and bolstering the stability of renewable energy grids. As the demand for electric vehicles and large-scale energy storage continues to grow, the importance of lithium in sustaining the energy transition becomes even more apparent. This has driven increased consumption of lithium globally. Between 2010 and 2021, global consumption of lithium has increased by over 280%, largely driven by rising EV adoption.² Also, global lithium production is expected to increase fourfold between 2023 and 2030.³ More conservative forecasts project a tripled supply of the metal by 2025.⁴ This seemingly bullish sentiment of lithium producers is hinged on growing EV demand and the attendant long-term demand for the battery material.⁵ Accordingly, Lithium is expected to remain a critical or strategic mineral for many lithium-producing and destination economies.

It was therefore unsurprising that, when in October 2023, the government of Ghana granted its first mining lease to Barari DV Ghana Limited (a subsidiary of Atlantic Lithium) for the development of the Ewoyaa Lithium Project, Civil Society and activists put on glasses of scrutiny like never before. Albeit pending parliamentary ratification, the government touts Ghana's stake in the Ewoyaa project as unprecedented in the country's mining history. Government's position is hinged on the agreement's provision of 13% free state-carried interest and a 10% royalty rate, an increment from the usual 10% and 5% in existing mining leases. Furthermore, the government, through the Minerals Income Investment Fund (MIIF), will acquire an additional 6% of the mining operation and 3.06% of the parent company listed on the stock exchanges in Australia and London.⁶

[1] WEF (2021). Batteries are a key part of the energy transition. Here's why. Retrieved: <https://www.weforum.org/agenda/2021/09/batteries-lithium-ion-energy-storage-circular-economy/>

[2] Elements (2023). Lithium Consumption Has Nearly Quadrupled Since 2010. Retrieved from: <https://elements.visualcapitalist.com/lithium-consumption-has-nearly-quadrupled-since-2010/>

[3] Benchmark Source (2023). Global lithium supply forecast to hit 1 million tonnes for first time. Retrieved from: <https://source.benchmarkminerals.com/article/global-lithium-supply-forecast-to-hit-1-million-tonnes-for-first-time>

[4] S&P Global (2023). Lithium supply is set to triple by 2025. Will it be enough? Retrieved from: <https://www.spglobal.com/en/research-insights/articles/lithium-supply-is-set-to-triple-by-2025-will-it-be-enough>

[5] Reuters (2023). Lithium producers stay bullish on EVs despite growing headwinds. Retrieved from: <https://www.reuters.com/markets/commodities/lithium-producers-stay-bullish-evs-despite-growing-headwinds-2023-11-02/>

[6] Ghana Today (2023). Ghana grants first lithium mining lease to Barari DV Ghana Ltd. Retrieved from: <https://ghanatoday.gov.gh/sector-news/lands-and-natural-resources/ghana-grants-first-lithium-mining-lease-to-barari-dv-ghana-ltd/>

However, scepticism abounds on how different Ghana's first lithium project is from existing mining leases in terms of the government's interest. For instance, Ghana's former chief justice, Sophia Akuffo, speaking on behalf of the Institute for Economic Affairs (IEA) of Ghana, decried the constitutional illegitimacy of the deal without parliamentary approval. She also hinted that the deal fell short of more improved fiscal regimes adopted by major Lithium producers such as Mexico, Bolivia, Chile and Argentina. The Institute proposed that the government establish a state-owned lithium company (Ghana Lithium Company) to represent the state's interest in the potential USD 24 billion worth of bicarbonates in the Ewoyaa lithium deposits.⁷ The IEA's position was corroborated by a minority member of parliament, Sam Okudzeto Ablakwa, who bemoaned that the lithium agreement was not in the country's interest and impressed religious leaders to call for a review of the deal.⁸ Harsher critics of the deal such as Ransford Gyampo, a professor of Political Science at the University of Ghana, called for an outright rejection of the deal by parliament, tagging it as "childish" and in the interest of foreign entities who would rake in 87% of the projects proceeds while the state is left with a paltry 13%.⁹

On the other hand, legal and mining experts Kofi Ansah and Fui Tsikata dismiss the arguments of the forementioned critics as overly simplified and birthed out of limited appreciation of the mining sector. They argued that the gross revenue of the Ewoyaa Lithium project was USD 688 million and not the USD 24 billion insinuated by the IEA. They further explained that the government's gross take from the project was effectively 51% and not the 13% intimated by critics.

The foregoing discussions about Ghana's first lithium project highlight the crucial need for a careful and data-driven analysis of the deal. Different views and criticisms have emerged, bordering on its legality and benefits to the country. The differing opinions among legal and mining experts, political analysts and concerned citizens show how complex the issue is. ACEP has conducted a thorough fiscal examination of Ghana's first Lithium project to separate facts from opinions and guide data-driven decision-making to ensure that the lithium extraction from the Ewoyaa deposits genuinely serves the interests and well-being of the people in Ghana.

In light of the foregoing, ACEP's idea generation hub session will seek to engage participants on the key findings from ACEP's analysis of Ghana's lithium project and draw lessons from the analysis and session discussions that are applicable for optimal revenue mobilization from and community participation in critical mineral exploitation and development.

[7] B&FT (2023). IEA flags 'historical mistakes' in lithium agreement. Retrieved from: <https://thebftonline.com/2023/11/30/iea-flags-historical-mistakes-in-lithium-agreement/>

[8] B&FT (2023). Lithium agreement not in national interest – Sam Okudzeto backs IEA, others. Retrieved from: <https://thebftonline.com/2023/12/13/lithium-agreement-not-in-national-interest-sam-okudzeto-backs-iea-others/>

[9] StarrFM (2023). Lithium deal: We won't allow foreigners to rob the nation – Prof. Gyampo. Retrieved from: <https://starrfm.com.gh/2023/12/lithium-deal-we-wont-allow-foreigners-to-rob-the-nation-prof-gyampo/>

Key Output and Expected Outcome

Based on discussion points from the session, ACEP will develop a position paper that provides a blueprint for optimal benefit derivation and sharing from the critical mineral boom. The position paper will also provoke areas for research and advocacy for inclusive benefit sharing from critical mineral exploitation.

Session Format

The session will employ a participant-focused facilitation approach using case studies, exploration-based strategies, group tasks and reflections to achieve the session objectives.

Date, Time, and Venue

Date: Wednesday, 7th February, 2024

Time: 9:00 am - 10:30 am CAT (7:00 am - 8:30am GMT)

Venue: Double Tree by Hilton, Cape Town, South Africa

Live on Zoom

Meeting Link : <https://us06web.zoom.us/j/84981050755?pwd=3uvjuMwCmVLabaaEbzMzaQab6uwyQC.1>

Meeting ID: 849 8105 0755

Passcode: ACEP2024

Join Here





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ACEP is a thought leader in Africa's energy and extractives governance space, working towards improving economic transformation and inclusive sustainable development. We contribute to developing alternative and innovative policy interventions through high-quality research, analysis, and advocacy in Africa's energy and extractives sector.