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Nigeria's Solid Minerals Sector: Alternative Investment Opportunities

HE Dr Kayode Fayemi

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THE ALL-PARTY PARLIAMENTARY GROUP
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Introduction

On 19 May 2016, the All-Party Parliamentary Group (APPG) on Nigeria hosted HE Dr Kayode Fayemi, the Nigerian Minister of Solid Minerals Development, at the Houses of Parliament, Westminster.

As Nigeria seeks to diversify its economy, the federal government is prioritizing the development of the solid minerals sector in order to enhance foreign investment, create local job opportunities and build technological capacity and expertise in mining.

At this event, HE Dr Kayode Fayemi discussed plans and priorities for the solid minerals sector including the strengthening of regulatory frameworks and opportunities for investment.

Summary of discussion

Questions

What practical measures is the federal Ministry of Solid Minerals Development (MSMD) taking to encourage investment in the solid minerals sector?

Has the ministry given consideration to sustainable development and environmental sustainability in the solid minerals sector?

What can be done to combat the dumping of products that could be manufactured locally in Nigeria?

Dr Kayode Fayemi

Dr Fayemi outlined measures being taken to encourage and streamline investment in the solid minerals sector. The MSMD is putting in place a transparent regulatory environment and licensing system, with a robust enforcement regime to reflect the Nigerian Minerals and Mining Act (2007).

The ministry is setting up a mining surveillance task force to regulate the informal mining sector, so that unlicensed miners operate according to the law and are not exposed to environmental hazards nor cause environmental damage.

Steps taken by Nigeria to prevent the dumping of products include a restriction on cement imports in order to encourage local production of limestone. There is potential for Nigeria to break the importation cycle for other products that are found in abundance in Nigeria, such as marble and granite. These are not produced locally at present because of a lack of processing capacity.

Foreign companies with technical expertise can help meet this shortfall. Foreign companies investing in the mining sector benefit from 100 per cent ownership, although the minister added that it is in foreign companies' own interests to establish partnerships with local businesses and communities.

Nigeria's mining sector has a robust environmental compliance regime, but this is not always enforced. At least 5 million Nigerians operate in informal mining and it is a challenge for the government to discourage this given the lack of alternative employment opportunities in Nigeria. Instead the government plans to regulate those engaged in informal mining so that it benefits local communities and is carried out in accordance with environmental standards as far as possible.

Following Nigeria's experiences in the Niger Delta, the Nigerian government is sensitive to environmental concerns. Nigeria has an active environment ministry that works with all the members of the cabinet to promote environmental sustainability in informal and commercial mining. Investors have to complete an environmental impact assessment before being able to secure an exploration licence from the MSMD.

Questions

How will Nigeria's relationship with the UK be affected if the UK opts out of the European Union?

Where can investors find information on the licensing regime and on the scope of Nigeria's solid minerals potential?

Dr Kayode Fayemi

Dr Fayemi stated that the EU debate is a sovereign matter for the UK. Nigeria's relationship with the EU is sensitive; Nigeria has refused to sign an Economic Partnership Agreement (EPA) with the EU due to dumping concerns and a desire to protect local industry. Nigeria may yet sign the EPA, but national interest comes first.

More information on Nigeria's solid minerals sector will be available online within the next six months. A scoping exercise is being conducted through the Nigerian Mining Cadastre Office and the Nigerian Geological Survey Agency to determine the location and quantity of minerals in the country.

The Nigerian Minerals and Mining Act established six types of licences for every stage of investment. Companies must submit annual reports of activities at the exploration stage and can apply for a mining lease if resources are found. There is also a small-scale mining lease for those operating informally.

Questions

The governor of Kaduna State said that there is more gold in Kaduna than in the whole of South Africa. Does Nigeria have this volume of gold?

Given the challenges of doing business in Nigeria, including fuel shortages and weak transport infrastructure, what incentives can the ministry offer companies seeking to invest in the solid minerals sector?

Dr Kayode Fayemi

Dr Fayemi replied that the exact amount of gold in Kaduna State has not been proven, but a schist belt, which is rich with alluvial gold, runs across the country from north to south. One of the challenges for the MSMD and the Nigeria Extractive Industries Transparency Initiative (NEITI) is to reduce the levels of unrecorded gold leaving the country.

On incentives for investors, the Nigerian Minerals and Mining Act offers competitive arrangements, including up to five years' tax alleviation and zero duty on imported mining equipment. Furthermore, the Nigerian Investment Promotion Commission Act (1995) allows for 100 per cent foreign ownership of firms except those operating in the oil and gas sector.

Questions

What is the MSMD doing to promote beneficiation and add value to locally produced materials?

How will revenue accrued from the mining industry be managed? Will a sovereign investment fund be set up, for example?

How will federal regulation on solid minerals interplay with state ownership of resources? Will those states that do not have as many resources as others benefit from solid minerals revenues?

Dr Kayode Fayemi

Dr Fayemi stated that the ministry is establishing assessment and buying centres for high grade minerals, such as precious metals, at key transport hubs to enhance the value of products before they leave the country. Additionally, present under valuation of potential resources is losing the country a lot of revenue.

On revenue management, the ministry has agreed with the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) that the same minimum 13 per cent derivation principle applied to oil-producing South-South Region states will be used. Therefore states producing minerals will benefit from at least 13 per cent of this wealth, but states that don’t produce any mineral wealth will also benefit as revenue will be redistributed by the federal government. If effectively pursued, mining will be to the north what oil and gas is to the south, which will help reduce political tensions.