

Mongolia energy transition

Climate change is pushing the world to transition its energy systems at an unprecedented pace. This shift is contingent on a steady supply of minerals and metals critical for the production of low-carbon technologies. Mongolia's rich endowment of copper, uranium, fluorspar, rare earth elements, and other critical minerals position it well in the global geopolitics of energy transition.

Minerals constitute more than 90% of Mongolia's exports and contribute more than a quarter of government revenue. There is potential for Mongolia to shore up its long-term socio-economic development by harnessing its natural resources wealth. However, in the absence of due diligence and appropriate safeguards, this opportunity may turn into a risky undertaking for the country.

The underlying *raison d'être* for these significant milestones is the world's ongoing quest for a secure supply of minerals for the energy transition. The war in Ukraine, destabilising forces in resource-rich Africa, and China's established hegemony in the mineral supply chain, open up promising opportunities for young, stable nations such as Mongolia to use their resource endowment for tactical and operational advantage.

However, Mongolia's past mining history suggests a challenging trajectory. The Oyu Tolgoi copper mine in the southern Gobi region, expected to become the world's fourth-largest copper asset by 2030, has faced numerous socio-institutional challenges since it became operational in the early 2010s. A longstanding dispute between the mine's owners, Rio Tinto, and the government of Mongolia over the project's cost overrun and financial responsibilities was finally resolved in 2022.

Last month, an advanced-stage rare earth exploration project in western Mongolia was suspended by the government due to community opposition. Local protests, driven by local concerns related to the environmental and social impacts of mining, informed the contours of public grievances which, in turn, influenced the government's decision. While the government has expressed a desire to value community opinions, the procedural mechanisms to be used remain unclear.

As observed at the 2023 Mining Week discussions, which wrapped up last week in Ulaanbaatar, the government is actively pitching Mongolia for foreign investment for minerals exploration with promises of regulatory reforms that will expedite project licensing and permits. Our experience with international mining projects over the years has highlighted that without meaningfully engaging local communities, disputes and conflicts are inevitable.

The demand for Mongolia's energy transition minerals provides a critical opportunity for the country's government to reflect on its past mistakes and demonstrate initiatives to plug longstanding gaps in laws and regulations around local-level consultations, consent, agreement-making, and benefit sharing.

Ulaanbaatar, 12 November 2024- Today, UNDP Mongolia launched its 2024 National Human Development Paper, titled "A Just Energy Transition for Human Development in Mongolia." This flagship paper assesses the impact of Mongolia's coal-dependent economy on its human development progress., It argues for a roadmap for a people-centered energy transition that addresses the energy and human development capabilities for both current and future generations.

The report identifies a Just Energy Transition (JET) as a vital pathway for Mongolia to sustainably increase its human development to higher levels. It points that a fair shift towards clean energy can stimulate green economic growth, build resilience, and reduce emissions, while advancing health, education, social equity and gender equality. However, it also underscores the need to manage economic and social challenges, ensuring that the transition does not disproportionately harm the vulnerable or affected populations.

In his opening remarks, His Excellency Dorjkhand Togmid, Deputy Prime Minister of Mongolia and Member of Parliament, stressed the importance of the energy transition and said "Mongolia's future depends on how we manage the energy transition. Energy Transition is not just an environmental necessity but an economic and social imperative. We must ensure that the benefits of this transition reach every citizen, while assessing the potential risks."

The transition offers significant benefits, including investment in renewable energy, green job creation in new sectors, opportunities for skills development, reduction in air pollution and a healthy life. However, it also presents risks, such as job displacement and sunk investments in fossil fuel infrastructure. To address these challenges, the report recommends strengthening Mongolia's resilience through legal and regulatory reforms, promoting international cooperation, and empowering vulnerable groups, especially women and youth, to access clean energy opportunities.

"Mongolia stands at a crossroads. The choices made today on energy will shape the future for generations," said Ms. Matilda Dimovska, UNDP Resident Representative in Mongolia. "A Just Energy Transition offers a unique opportunity to create inclusive growth, reduce inequality, and build a resilient economy that benefits everyone--especially women, youth, and vulnerable communities. This transition, if managed equitably, can be a powerful driver for Mongolia's sustainable development."

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