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**Why renewable energy is good news
for emerging markets**

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Demand for 'green metals' to build renewable energy systems is shining a new light on investment opportunities in developing countries.



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If you've been following the Australian Securities Exchange (ASX), you may have noticed growing investor interest in companies specialising in the extraction of so-called 'green metals'. These are metals such as nickel, lithium, copper, manganese and cobalt which all play a key role in the manufacture of renewable energy systems. Lithium, for instance, is a vital component in lithium-ion batteries which power many of the world's electric vehicles as well as being used in domestic battery storage systems.

As countries move rapidly to decarbonise their economies, demand for these green metals is expected to grow strongly. A recent study by KU Leuven University estimated that the EU will need 35 times more lithium and 330% more cobalt than it currently uses if it's to become climate neutral by 2050.¹

Australia is blessed with large deposits of these in-demand metals – hence investor interest in the ASX. However, Australia's not alone in being well-placed to supply these markets. Other countries, especially many classified as emerging markets, also hold major deposits and are expected to benefit from the shift to renewable energy.

What is an emerging market?

An emerging market is a country whose economy is in the process of transitioning to a developed economy. It may feature many of the characteristics of a developed economy such as a well-established banking system and financial markets but is perhaps less well integrated into the global economy and more politically unstable. Returns for investors in these markets can be higher than in developed economies but also carry greater risk.

The International Monetary Fund (IMF) currently classifies 20 countries as emerging markets, including the economic powerhouses China and India.² The Morgan Stanley Capital Investment (MSCI) Emerging Market Index includes 24 countries.³

Which countries have green metals?

While Australia is currently the biggest producer of lithium, Chile has the largest reserves, about five times more than Australia. The so-called 'Lithium Triangle' comprising Argentina, Bolivia and Chile accounts for about 60% of the world's known lithium reserves as well as many other sought-after metals.

Another developing economy, the Democratic Republic of Congo (DRC), has about 70% of the world's cobalt reserves.⁴ Africa also has untapped reserves of platinum, manganese, bauxite and chromium.

Other countries with sizable ore deposits include Kazakhstan (chromium), South Africa (platinum) and New Caledonia (nickel).⁵

What role can emerging markets play in an investment portfolio?

As mentioned, emerging markets offer the potential for higher returns on investment than developed economies but also greater risk. Investments in these markets can be more volatile due to political instability and currency fluctuations. However, as world demand grows for resources to build renewable energy systems, these markets are likely to attract higher levels of capital investment.

For investors who have a goal of growing their capital over long time frames, an exposure to emerging markets may boost growth potential and increase diversity.

Speak with us to find out more

If you're interested in exploring the investment potential of emerging markets, we can advise how emerging markets could fit with your investment goals and the best ways to gain exposure.

1 Eurometaux, [Metals for clean energy: Pathways to solving Europe's raw materials challenge](#), April 2022, accessed 16 February 2023.

2 International Monetary Fund, [Miles to go](#), Rupa Duttagupta and Ceyla Pazarbasioglu, June 2021, accessed 16 February 2023.

3 MSCI, [MSCI Emerging Markets Index](#), January 2023, accessed 16 February 2023.

4 [Can the Democratic Republic of the Congo's mineral resources provide a pathway to peace?](#) United Nations Environment Programme, 20 September 2022, accessed 16 February 2023.

5 [The Growing Role of Minerals and Metals for a Low Carbon Future](#), World Bank, June 2017, accessed 16 February 2023.