PGM EXCHANGE COLLOQUIUM
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OPENING REMARKS

I take it we are all aware of the research by the Mapungubwe Institute, in partnership with Pan-African Investment and Research Services and the Johannesburg Stock Exchange, on the desirability and practicability of a PGM Exchange in South Africa. This was released about four years ago, in November 2019.

The firm conclusion was that such an exchange was desirable. In so far as practicability is concerned, the researchers asserted that this would depend on a number of factors, which I assume, will be the subject of today's discussion.

We therefore appreciate the presence at this colloquium of colleagues from various centres of the PGM value chain: mining companies, unions, government agencies and others.

After the 2019 launch of the book, *A South African PGM Exchange: Policy Rationale for Financial Beneficiation*, MISTRA, PAIRS and the JSE set out – under the difficult Covid-19 conditions – to further consult with prospective partners in such an Exchange, assessing whether, beyond the sentiment on desirability, we could start addressing the vexing issues of practicability.

We are all familiar with the unique role of platinum group metals in such applications as catalytic converters, fuel cell technology, electrolysers in the production of green hydrogen, medical instruments, jewellery, more efficient batteries and so on. All these call for the development of the necessary capacities so that South Africa – a country with over 70% of reserves and production – can carve its rightful place in the PGM value chain.

Financial beneficiation in the form of an Exchange of course presents many benefits. These pertain, among others, to financial and marketing services, management of electronic platforms and of course commercial benefits to our Stock Exchange. In addition to all this, is the role of the country in contributing to price discovery. In other words, there are many economic and human resource benefits that attach to this initiative.

What, then, about practicability?

The first and catalytic issue is about an appropriate policy environment. In this regard, both during and after the research, the South African Reserve Bank, the Competition Commission, the Public Investment Commission, National Treasury and departments such as Science and Innovation, Mineral Resources and Energy as well as Trade, Industry and Competition – all express support for an Exchange. There is commitment that, if called upon, they would provide the policy platform required for it.

The trade union movement has also been supportive. In fact, more than any other partner, the unions have expressed impatience at what they perceive as a loss of momentum since 2019.

However, whether the PGM market would be capable of adapting to an Exchange is the nub of the matter. It is the producers, processors and equipment manufacturers who determine trade flows and manage the physical product; and they would thus be core to guaranteeing the Exchange's liquidity. This is because we are talking about a voluntary mechanism and the question is therefore whether these partners see any value in this initiative.

There are fundamental issues to do with prevailing short- and long-term contracts, marketing, pricing benchmarks, hedging versus efficient production, and utility of cash or derivative activities. It is around these and related issues that apprehensions have been expressed.

Otherwise, the JSE argues that it has the capacity to manage and commercially run a PGM Exchange. It can work with suppliers to set the benchmarks for product grades, secure the physical delivery and put in place platforms to manage contracts and settlement processes. The question is whether there are takers and clearing members among producers and buyers.

These are the issues that we need frankly to reflect on.

Further, if a traditional exchange is not immediately practicable, do we need to consider a phased approach that would include a JSE private placements platform or other such instrument? Should we consider starting off with uncontracted metal products as part of initial experimentation?

Or, at the extreme end, should we fold up and abandon this PGM Exchange project altogether?

What cannot be gainsaid is that, with the rapid emergence of the Green Hydrogen economy and the huge resources that are being allocated to this, a country with our PGM endowments cannot afford to be half-hearted in considering opportunities that our strategic and unique situation presents. Future generations will judge us harshly if we fail to apply our mind to these questions.

And so, these are issues that we need to reflect on today; and the presenters will guide us on the way forward.

So, welcome to all…and let's have a frank discussion on all these matters!

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