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How the U.S. lost ground to China in the contest for clean energy

New York Times

12-15 minutes

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WASHINGTON — Tom Perriello saw it coming but could do nothing to stop it. André Kapanga too. Despite urgent emails, phone calls and personal pleas, they watched helplessly as a company backed by the Chinese government took ownership from the Americans of one of the world's largest cobalt mines.

It was 2016, and a deal had been struck by the Arizona-based mining giant Freeport-McMoRan to sell the site, located in Congo, which figures prominently in China's grip on the global cobalt supply. The metal has been among several essential raw materials needed for the production of electric car batteries — and is critical to retiring the combustion engine and weaning the world off climate-changing fossil fuels.

Perriello, a top U.S. diplomat in Africa at the time, sounded alarms in the State Department. Kapanga, then the mine's Congolese general manager, all but begged the American ambassador in Congo to intercede.

"This is a mistake," Kapanga recalled warning him, suggesting the Americans were squandering generations of relationship building in Congo, the source of more than two-thirds of the world's cobalt.

Presidents starting with Dwight D. Eisenhower had sent hundreds of millions of dollars in aid, including transport planes and other military equipment, to the mineral-rich nation. Richard Nixon intervened, as did the State Department under Hillary Clinton, to sustain the relationship. And Freeport-McMoRan had invested

billions of its own — before it sold the mine to a Chinese company.

Not only did the Chinese purchase of the mine, known as Tenke Fungurume, go through uninterrupted during the final months of the Obama administration, but four years later, during the twilight of the Trump presidency, so did the purchase of an even more impressive cobalt reserve that Freeport-McMoRan put on the market. The buyer was the same company, China Molybdenum.

China's pursuit of Congo's cobalt wealth is part of a disciplined playbook that has given it an enormous head start over the United States in the race to dominate the electrification of the auto industry.

But an investigation by The New York Times revealed a hidden history of the cobalt acquisitions in which the United States essentially surrendered the resources to China, failing to safeguard decades of diplomatic and financial investments in Congo.

Perriello, who has since left government, said he learned of the plan in 2016 to sell Tenke Fungurume not long after touring the mine. The owner had a tarnished reputation for its operations in other countries. But he was convinced that American ownership was good not only for the United States but for the people of Congo. Freeport-McMoRan got largely favorable reviews on the ground, was employing thousands of Congolese and had built schools and health care clinics and provided drinking water.

“What can we do?” Perriello recalled asking Linda Thomas-Greenfield — who was then an assistant secretary of state with responsibility for Africa and is now President Joe Biden's ambassador to the United Nations — about keeping the mine under American control. Perriello said he raised the issue with the National Security Council as well. (A spokesperson for Thomas-Greenfield said she remembered the sale of the mine but not the conversation with Perriello, and several members of the NSC also said they could not recall such a conversation.)

The only serious bidders were Chinese companies, leaving no doubt about the consequences of standing by. “They were able to move swiftly and quicker than anybody else could,” Kathleen L. Quirk, Freeport-McMoRan's president, said in an interview. “So we got the deal done.”

Freeport-McMoRan had been determined to sell. The company, one of the world's largest copper-mining outfits, had made a

catastrophically bad bet on the oil and gas industry just before oil prices tanked and the world began to shift to renewable energy. With debt piling up, the company saw no option but to unload its Congo operations.

The American response, in essence, was nothing because it was a straight financial transaction. The country has no oversight of transactions by American companies abroad.

The crisis, exposing significant blind spots of U.S. leaders, was just the kind of opportunity the Chinese government excels at exploiting, according to previously unreported documents and emails and interviews with diplomats, mining executives, government officials and others in China, Congo and the United States.

Over the past year, as the clean energy transition has accelerated, the U.S. government and the private sector have moved more rapidly to recover from past mistakes, scouring the world for new cobalt supplies and deploying cobalt-free batteries in some shorter-range electric cars.

But all that falls far short of Chinese efforts to take over resources critical to a green future, including cobalt, lithium and others.

Cold War gamesmanship

Nixon stood outside the White House with the first lady one morning in August 1970. President Mobutu Sese Seko of Zaire was about to pay a visit.

It had been a decade since Zaire, now Congo, had secured independence from Belgium, and as the leader of a country abundant in natural resources, Mobutu found himself with considerable global clout.

Not only did he control those resources, but he had emerged as a key intermediary for the United States in its efforts to keep the Soviet Union from making inroads in Africa.

Access to minerals and metals in Congo had been a top priority for the United States since at least World War II. Albert Einstein wrote to President Franklin Delano Roosevelt in 1939 urging him to stockpile Congolese uranium, used in the first atomic bombs.

By the mid-1960s, the CIA had set up one of its most extensive operations in the country, secretly bankrolling a small army of

mercenaries and Congolese troops. The agency ran missions with the help of U.S. warplanes to suppress Soviet-backed rebels.

Mobutu, a former army sergeant who would become a corrupt dictator, saw the Americans as an ideal partner in his bid to grow the country's mining wealth.

With an eye to developing Tenke Fungurume, he reached out to a prominent New York diamond merchant named Maurice Tempelsman, according to a series of now declassified cables, to discuss giving him mining rights in the area.

But just before his trip to Washington in August 1970, Mobutu made a surprise announcement: He had decided to contract a Belgian company to develop the mine. Washington went into crisis mode as it tried to wrestle back the concession, and its generosity knew no bounds.

"Whatever Mobutu wants, give it to him," Herman J. Cohen, an American diplomat in Congo at the time, recalled Nixon signaling to his administration.

Hundreds of millions of dollars in U.S. aid had been sent to Mobutu. Now Nixon agreed to give him several C-130 transport planes.

The campaign reached a tipping point at a black-tie dinner for Mobutu at the White House, according to Cohen.

After the meal, Tempelsman took Mobutu for a private boat ride on the Potomac. Word soon came that the Americans were getting the mining concession.



Miners haul bags of cobalt April 26 in Kolwezi, Congo. A New York Times investigation examines the global demand for raw materials as the clean energy revolution takes off. (New York Times photo: Ashley Gilbertson)

A 'grand reopening'

Mark Mollison, a mining engineer from New York City, climbed into a Toyota Land Cruiser in southeastern Congo, where he had traveled to visit Tenke Fungurume. It was by then an abandoned construction site.

Mollison was amazed. He saw hilltops with bald spots where copper and cobalt poked through the surface.

"The ore was 10 times as rich as what we were mining in Arizona," Mollison recalled.

It was the late 1990s, and Mollison belonged to a new wave of mining executives who had arrived to pick up the pieces left by the Tempelsman group two decades earlier.

After spending \$250 million, the group had pulled out when it ran into a series of hurdles, including anti-government rebels who shut down a railroad needed to ship the cobalt and copper to the sea.

Kissinger, the secretary of state, helped craft a cable to apologize to the Congolese government in January 1976, explaining that the United States "deeply regrets" the "mothballing" of the project.

Interest rekindled many years later after Mobutu was overthrown. The rebel leader, Laurent-Désiré Kabila, had recently seized valuable land near Tenke and Fungurume, the two towns that gave the mine its name.

"Everybody thought, 'Boy, this is the grand reopening, a new awakening of Congo,'" Mollison said.

Western mining executives and their Wall Street bankers arrived in the region.

The investors gathered at a hotel as Kabila's representatives secured financial commitments for mining access. A memo written by one banker summed up Kabila's perspective: "Rules of the game: you give and I give."

Lundin Group, a Canadian mining company, was so determined to seal a deal that it agreed to give the rebels \$50 million.

Mollison's job, when he arrived several months later, was to evaluate if his company, now called Freeport-McMoRan, should partner with Lundin to finish what Tempelsman had started at Tenke Fungurume. Freeport-McMoRan would later publicize that undertaking as the biggest private investment ever in Congo.

“What’s this place going to need?” Mollison recalled wondering.

“Electric power. Lots of it. Roads. Plenty of water.”

Freeport-McMoRan eventually landed a controlling 57.75% stake in the mine, while Lundin got 24.75%. Congo’s state mining enterprise, Gécamines, kept 17.5%.

By the end of 2007, after yet another civil war in Congo, the project got fully underway.

Freeport-McMoRan went on a building spree. It helped construct a highway so cobalt and copper could be exported to other parts of Africa. It spent \$215 million to refurbish an aging hydroelectric plant.

“It was very impressive,” said Pierrot Kitobo Sambisaya, who worked as a metallurgist at the mine for a decade.

Freeport-McMoRan had developed one of the most modern and productive cobalt and copper mines in the world.

But Freeport-McMoRan made a monumental blunder. Instead of doubling down on mining, it ventured into fossil fuels, spending \$20 billion in 2012 to buy two oil and gas companies.

When oil prices plummeted, Freeport-McMoRan found itself mired in debt.

“It breaks my heart to do it,” Richard Adkerson, Freeport-McMoRan’s CEO, told Wall Street analysts in May 2016 when he announced the company would sell Tenke Fungurume.

The top bidder was China Molybdenum, which offered \$2.65 billion.

The news troubled executives at the mine, including Kapanga, the general manager, who had also worked as a Congolese presidential adviser and diplomat. He phoned the American ambassador, James Swan.

“Tenke Fungurume is the jewel in the crown,” Kapanga said he told Swan, worried the United States was inexplicably letting go of its biggest private investment in Congo. Swan declined to comment when contacted by The New York Times.

No lessons learned

The sale of Tenke Fungurume closed in November 2016. It drew little attention in the United States outside the financial news media.

Early in his administration, President Donald Trump signaled that challenging China's efforts to dominate mineral supplies might be a major focus. His administration issued reports on cobalt and the potential for supply shortfalls, taking note of the Tenke Fungurume sale.

Nonetheless, history repeated itself.

Freeport-McMoRan still owned an undeveloped site that contains one of the world's most important untapped sources of cobalt.

When the company indicated late last year that it intended to sell the site, known as Kisanfu, there was next to no reaction from the U.S. government.

"Nobody even talked about this," said Nazak Nikakhtar, who until January served as the Commerce Department assistant secretary in charge of tracking critical mineral supplies. "It is horrible."

The sale, to China Molybdenum for \$550 million, went ahead as announced, a month before Trump left office. With it, the last major U.S. investment in Congo's cobalt and copper mines evaporated.

This article originally appeared in [The New York Times](#).