



SOLIDARITEIT
SOLIDARITY

MINING MISCHIEF:

How transformationism killed the golden goose



Theuns du Buisson

May 2026

Introduction

The last year or two has been great for the mining industry worldwide. It should be especially great for South African miners, as commodity prices, specifically those minerals extracted here, skyrocketed. The gold price is currently more than three times higher than in 2019, having reached even greater heights earlier in 2026. This follows a sharp rise in gold prices that began in 2022 and, rather than slowing down, continued to accelerate. Other important South African commodities also saw large price jumps. Coal saw a boom in 2022 and has ever since traded higher than in the previous decade. Platinum's price doubled in May of 2025 and has remained at historical highs ever since. It reached an all-time high in December of 2025.

This should make South African miners jump for joy and lead to an increase in production in equal measure. Unfortunately, this has not happened. South Africa produces less gold, less platinum group metals, and less coal than in 2019. In terms of value, mining has contributed a lot more than usual to the Gross Domestic Product (GDP) in the last year; however, by volume, the country produced roughly the same amount as in previous years and is now trending flat after a continuous downward trend.

This concise report aims to provide reasons for the stagnation of mining in recent years, despite market conditions being amongst the most favourable in world history.

The decline

Since gold's discovery in the 1850's, gold rushes became a frequent occurrence in what was then known as the Eastern Transvaal. In 1867, diamonds discovered in Kimberley came into the mix and dominated world markets for decades to come. The discovery of gold in the Witwatersrand basin truly changed the mining landscape, as it holds the world's largest known gold reserves. Gold has been mined in large volumes since 1884.

However, at present, mining is a much smaller part of the South African economy than it used to be, despite mineral prices surging in recent years. Statistics South Africa closely monitors mining production. The following chart shows that mining production has done little to take advantage of current price trends:

Figure 1 – Volume of mining production (Base: 2019=100)

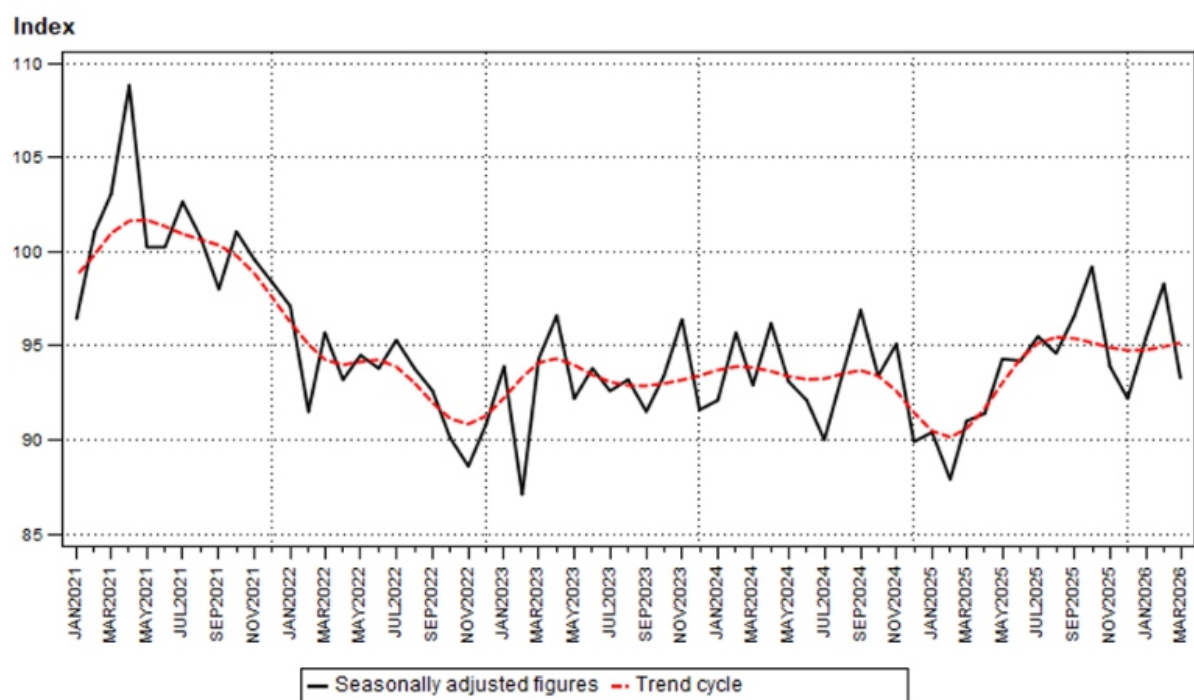


Figure 1: Volume of mining production

2025 production was 6,4% lower than in 2019. For 2026 thus far, production has been on average 12,5% lower than in 2019. This trend has been continuing for a long time, as mining's contribution to South Africa's economy peaked in 1980, then contributing 21% of GDP¹. Likewise, employment in the sector peaked in 1987, when mining employed 760,000 individuals. In 1994, mining still employed more than 613,000 people. Since then, mining has seen a decline in employment, with almost 100,000 mining jobs being shed between 1997 and 1998². As the following chart from the Quarterly Labour Force Survey and the Labour Force Survey before 2007 indicates, mining continued to underperform in terms of employment numbers.

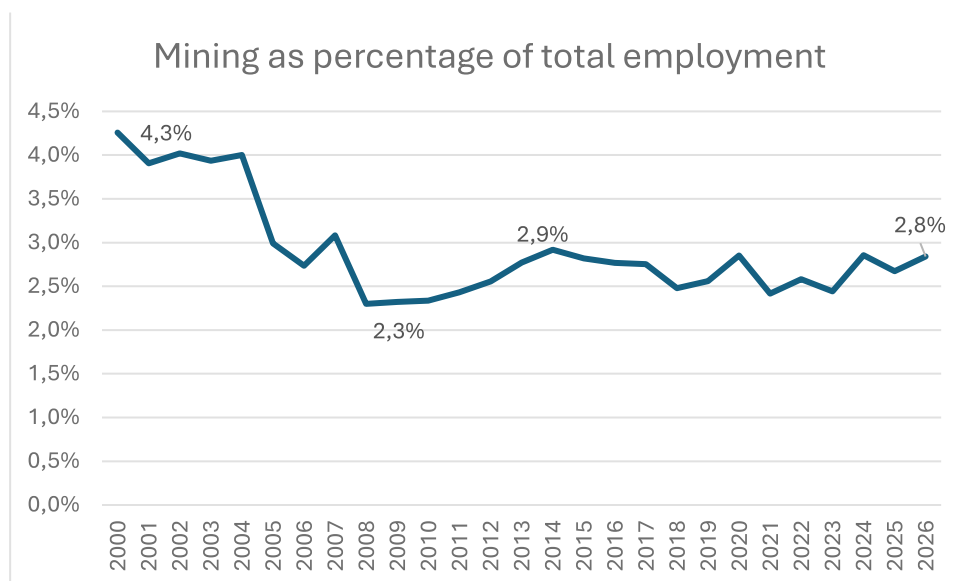


Figure 2: Mining as a percentage of total employment

Likewise, mining has fallen far from accounting for a fifth of economic activity in 1980 to only accounting for between 6% and 9% of economic activity in the 1990's. Since we enjoyed the peak, other mining powerhouses such as Australia have doubled mining's contribution to their GDP. The same holds for various African countries.

¹ <https://www.statssa.gov.za/?p=9720>

² <https://www.statssa.gov.za/publications/SASStatistics/SASStatistics2015.pdf>

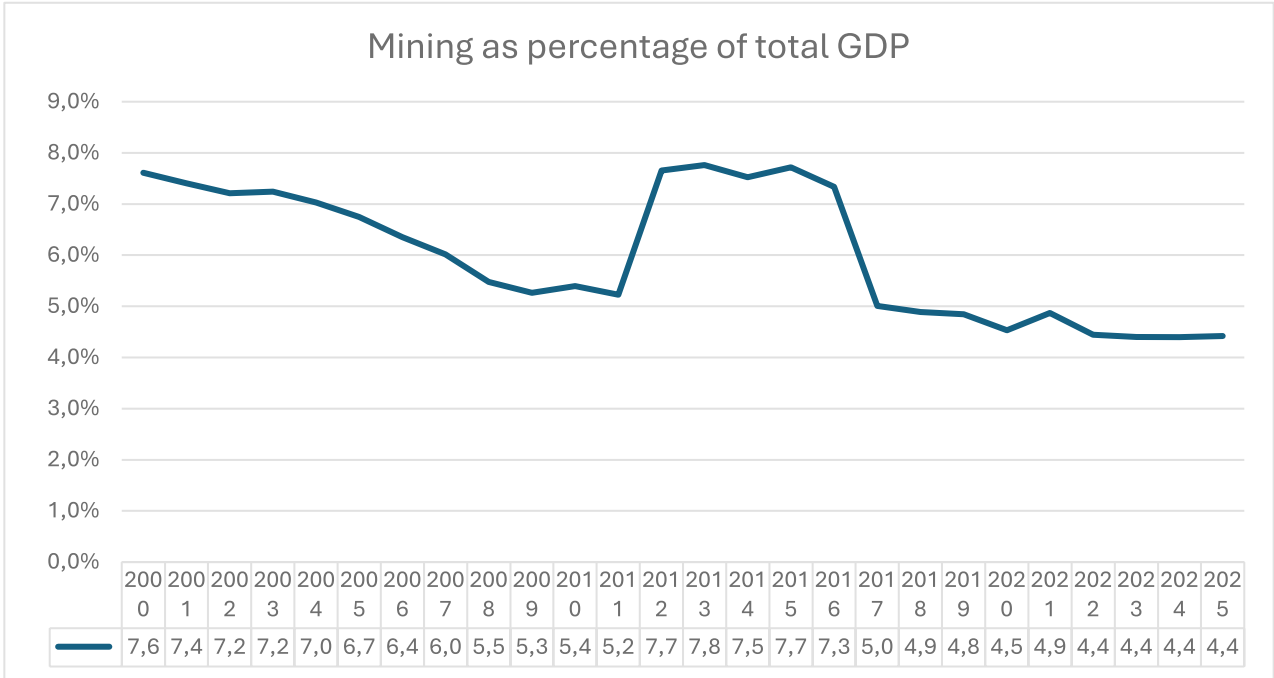


Figure 3: Mining as a percentage of Gross Domestic Product

Policy influences on mining activity in South Africa

Mining is directly impacted by policy failures that resulted in high electricity prices. According to a statement by the Minerals Council South Africa³, electricity accounted for 9% of mining costs, a figure estimated to have risen to 12.5% following Eskom price increases in 2024. Some subsectors use even more electricity, with gold mining accounting 24% to 28% of their costs to electricity prices. At present, it will likely be even higher. Eskom also directly impacts mining, as they are one of the largest, by far the largest locally, consumers of South African coal. This monopsony and its procurement policies have caused problems in the past, such as when Eskom forced the coal sector to largely consolidate into a handful of BEE-compliant suppliers⁴.

When it comes to mining regulations themselves, policies are often aimed at transformation targets, rather than economic output targets. Since 2004, when the charter was adopted, 26% equity ownership has been a requirement. It also set a target that 40% of mine asset control must be exercised by historically disadvantaged South Africans. In 2010, the charter was revised to include the B-BBEE scorecard.

This government's stranglehold on mining stems directly from the 2002 Mineral and Petroleum Resources Development Act (MPRDA), which grants the state custodianship over all mineral resources. Landowners, therefore, lost all control over mineral resources on their land, and may even be dispossessed if the state grants mineral rights for minerals on their land.

The 2018 charter, however, took it further by increasing the equity target to 30%, which was to be shared between employees (8%), the host community (8%), and BEE entrepreneurs (14%). It also increased the requirement for prospecting rights, so that only entities with 50% + 1 black ownership may receive licenses for mineral prospecting. It also sets strict adherence targets for where mines may procure their goods and services.

³ www.mineralscouncil.org.za/component/jdownloads/?task=download.send&id=1991&catid=89&m=0

⁴ Kilambo, S.R. 2021. Black economic empowerment policy and the transfer of equity and mine assets to Black people in the South Africa's mining industry, *South African Journal of Economic and Management Sciences* 24(1), a3479

The effect of the state administration of mineral rights, coupled with harsh licensing and operating requirements, leads to it being nearly impossible for new mines to be opened or for operations to expand. Besides the restrictive nature of the state's custodianship, it also claims a royalty for all minerals that are extracted. Unlike other taxes, mines need to pay this royalty regardless of their profit/loss position. This greatly increases risk in an already risky sector.

These policies have also had limited success in terms of transformation. A 2015 Chamber of Mines report states that 46 people received 60% of the total mining BEE value in South Africa. According to the report, the share of BEE ownership is 63% for BEE entrepreneurs, 22% for communities and 15% granted to employees. Therefore, almost all direct ownership transfers were concentrated amongst these 46 people. At the time, BEE interests owned 38% of the sector.



Conclusion

Although transformation is important, as entrenched in the Constitution, it cannot come at the expense of economic growth, viability of operations, or sustainable job creation. Unfortunately, this is exactly what has happened. Owners of mineral-rich land were stripped of prospecting rights. Operating mines became harshly cumbersome, and costly transformation and procurement targets became the norm. This may have been absorbed by a thriving industry, but mining has not been thriving since the 1980's.

The positive effects of transformation, although they certainly exist, seem to be limited. This is especially true against the backdrop in which only 46 people benefited from the majority of these allotments. If one considers that mining's share of total employment and its economic contribution continues to decline, one could only wonder if the relentless focus on transformationism is worth it.

