

Annex 3. Industry's Views

Multinational Corporations

The EIR consulted with a mix of multinational corporations from the oil, gas, and mining sectors, both through informal consultations and discussions as well as through the five EIR Regional Consultations. A number of companies also provided formal submissions to the EIR. The inputs received from all these different activities provided the basis for this presentation of multinational corporation views.

Within the EIR context, companies point out the importance of focusing on “sustainable development” rather than “sustainability,” as the latter focuses on whether a particular activity can be maintained in likely future scenarios. Sustainable development, on the other hand, focuses on the scope for continuing human development, which does not necessarily require sustaining particular resources. Indeed, extractive industry projects can be seen as the conversion of natural capital into the human and other forms of capital that are required to realize human development. Sustainable development requires that the opportunities available to future generations should be no less than those available to current generations. It is not expected that these opportunities will be identical. The important consideration is that the “basket” of opportunities is greater than before—in other words, that the sustainable standard of living, adjusted to account for all external costs, has grown.¹

The oil and gas industries fully recognize the importance of setting environmental, social, health, and product stewardship policies that have global objectives and applications.² Similarly, the mining industry is also moving forward in achieving higher standards of environmental and social responsibility, while fully recognizing the business case for sustainable development, which includes the following benefits: lower labor costs and more innovative solutions, lower health costs, savings due to cleaner production methods, lower closure and post-closure costs, easier access to lenders and insurers, and improved reputation and enhanced market value.³

The World Bank Group is considered to have an important role in promoting sustainable development and poverty alleviation in connection with several main issues: climate change, small-scale mining, cleaning up the legacy of the past, promoting good governance, and raising the bar in setting high standards oriented toward sustainable development and poverty alleviation within the extractive industry sector.

The Potential Role of Extractive Industries in Poverty Alleviation

Many countries around the world receive large incomes from the oil, gas, and mining sector. Recent figures show annual oil and gas incomes of around \$35 billion for Mexico, \$30 billion for Venezuela, and \$22 billion for Nigeria. Similarly, mining often constitutes a large percentage of foreign direct investment in poor countries, especially in Africa, where it

constitutes 23 percent of these funds.⁴ These incomes are seen as having enormous potential for good. Good revenue management can help the extractive industry sector have positive impacts on poverty alleviation. In Campos, Brazil, for example, oil and gas revenues received by the city are used to construct hospitals and clinics, provide paved roads and modern sewer systems, and place street children in schools. The extractive industry community admits this is not always the case, commonly recognizing that the temptation to abuse this wealth is also immense.⁵ However, this high economic rent also should be seen in positive terms as a transfer from a consuming to a producing country. Strong governance systems can prevent negative economic outcomes.

Mining is not a major employer. The International Labour Organization (ILO) estimates that following significant job losses throughout the formal mining industry over the past 15 years or so due to widespread restructuring and privatization, global mining employment is now about 10–11 million, more than half of whom are in coal mines. This is well under 1 percent of the world's work force and is now about the same or less than the 11–13 million estimated to be engaged in small-scale mining—the first time that employment in these two parts of the sector have been on a par. Taking into account dependants, it is estimated that the number of people relying on mining for a living, both large-scale and small-scale, is likely to be about 150 million people.⁶

Transfer of technology and the training of work forces is also an area where industry significantly benefits poverty alleviation through the creation of potentially sustainable employment and other income-generating opportunities. Many companies are increasingly seeking to use nationals of countries in which they invest and to provide training to make the necessary skills available and resolve skill gaps. Anglo American, for example, has a specialist small and medium scale enterprise support unit and venture capital fund in South Africa named Zimele that offers assistance, including finance, training, and advice, to the development of the smaller companies associated with its operations. Zimele's portfolio in 2002 included 21 black empowerment ventures with a collective turnover of \$17 million and employment of over 1,200 people.⁷

Most companies also provide direct benefits to the communities they are operating in, such as educational facilities or opportunities through scholarships in the form of corporate support or trust funds or foundations.⁸ Mining companies are also working more closely with nongovernmental organizations (NGOs) to improve social responsibility records. For example, Compania Minera Antamina S.A., a Peruvian mining company, collaborates with many NGOs through financing a range of projects to improve the quality of education, economic development programs, cultural development, livestock breeding, agriculture, and many other subjects.⁹ The EIR received many other illustrations of such positive examples from the industry. (See Annex Box 3–1.)

Despite the wealth of examples on how the extractive industries are contributing to poverty alleviation, the industry recognizes that this is not always the case. All EIR regional consultations revealed that industry is critically aware of the “paradox of plenty,” whereby communities and nations are not benefiting from their oil, gas, and mining wealth because this wealth is being squandered through bad governance and corruption. Having said that, industry

is of the opinion that there is no automatic correlation between dependence on mining, oil, and gas production and poor economic growth and that the way forward should be to focus on the factors associated with good performance and build on them.

Annex Box 3–1. The Case of Colombia and Cerro Matoso

Cerro Matoso S.A. (CMSA), operating in the northern part of Colombia since 1982, produces approximately 5 percent of the world's nickel output in the form of ferronickel, a preferred product for the manufacture of Stainless Steel. Virtually all its production is exported. CMSA has enjoyed strong support from its work force and host communities in its region of operation. This has been attributed to the company's proactive approach to social and environmental issues, as well as its positive impact on the local economy. From the start of the development phase of the mine and production facility in 1980, CMSA has implemented a policy of social responsibility and a well-considered and sensitive approach to development of the local economy, which has created acceptance and support within the region. Irrespective of the difficult political and economic circumstances in the country, an expansion project to double processing capacity was approved in 1998, resulting in the direct investment of an additional \$300 million.

Between 1989 and 1999, CMSA generated an average of \$145 million per year in export revenues. The new investment is expected to increase annual export revenues to \$375 million, forecast for the year 2004. CMSA employs 940 people directly and, perhaps more important, at least 3,000 indirectly. Cerro Matoso is a Colombian-managed company that has invested heavily in training its work force and is recognized as a preferred employer in the country. Normally only two or three of Cerro Matoso's employees are non-Colombian, and at least that many of its Colombian employees are gaining experience and giving their support, on secondment, to related companies outside Colombia.

World Bank environmental standards were employed for the expansion project. It is an explicit CMSA policy that safety, occupational health, and environmental protection have priority over production; ISO 9001 and ISO 14001 certifications are part of the Cerro Matoso total quality management system. The combination of high standards on environmental and social programs is considered to be a key success factor for the business.

On the social side, three foundations have been established with a total expenditure in FY02 of \$5.3 million. The Montelibano Educational Foundation focuses on education for employees and their families and also provides places for local students with no links to the company, while the Panzenu Foundation concentrates on health services for the workers and their families. The San Isidro Foundation is an independent body supported by Cerro Matoso. It aims to improve the quality of life of the communities within the CMSA area of influence, and typically Cerro Matoso invests in excess of \$1 million a year in this foundation's work. Its efforts are focused on building a robust local economy that will continue to develop and thrive beyond the life of the Cerro Matoso operation itself. It provides planning, technical support and financial assistance to local enterprises and communities in the areas of commerce, economic development, education, and training of public officials and community leaders, and it also spearheads technology transfer initiatives in the local communities. These activities, developed in the spirit of true sustainable development and managed by or in

essential “license to operate” in Colombia, enabling the business to deliver improved economic and social outcomes while generating increased direct investment and significant employment and export earnings.

Source: International Council on Mining & Metals (ICMM), December 2002. *Spreading the Wealth: The Role of the World Bank Group in Mining*.

Countries should focus on promoting good policy and sound governance instead of rejecting their resource industries. ICMM believes there is every reason for mining to contribute very positively to sustainable development and poverty alleviation. Even if extractive industry companies pay greater respect to their social, economic, and environmental impacts than in the past, however, many countries continue to be poorly governed. Good governance needs to be ensured, and the WBG is well placed to influence this.¹⁰

The Importance of Government’s Role

Industry is very clear in asserting that they cannot and will not take the role of government in providing public services that should be the responsibility of government. *Agenda 21*, from the Rio Conference in 1992, states quite clearly that “the ultimate responsibility for sustainable development rests first and foremost with national governments.” The mining industry also feels strongly that governments need to face the challenges in promoting the metal and mineral industry’s contribution to sustainable development by, for example:

- ensuring that metals are produced, transported, used, recycled and disposed of safely by the industry;
- ensuring that decisionmaking (for instance, material selection and regulations) is based on precise and explicit criteria, as well as on cost-effective and timely risk assessment that takes into account the special characteristic of metals and metal-containing products;
- ensuring openness and transparency and that the views of all stakeholders are taken into account in decisionmaking processes likely to affect them;
- establishing market incentives to encourage product design, technologies, and uses that promotes the recycle-ability as well as the economic collection and recovery of metals; and
- taking the lead in ensuring that the benefits from mineral development are fully realized through effective economic and development policies and to encourage partnership involving other organizations, stakeholder groups, and the industry.¹¹

The importance of good governance as a prerequisite for extractive industries to be able to contribute to sustainable development and poverty alleviation was emphasized and articulated over and over by stakeholders from the private sector throughout the EIR process. The most important aspects of governance that received attention were transparency of revenues, corruption, weak legal systems, the lack of capacity at all levels, and, in some cases, political instability and security issues.

Transparency and Corruption

One of the most important governance issues for the extractive industries in resource-rich developing countries is the ability to collect and manage revenue for the benefit of sustainable development and poverty alleviation. Many resource-rich countries receive large amounts of revenue and income from their extractive industries, but the lack of transparency and rampant corruption may prevent this income from benefiting development and poor people. This observation surfaced in all EIR regional consultations, informal discussions, and submissions from various extractive industries companies. The UK Government's Extractive Industries Transparency Initiative, which the World Bank, host governments, NGOs, and industry are engaged in, provides a way to address this issue. In addition, industry stakeholders point out that positive examples do exist where resource-dependent developing countries have managed to use their resource incomes wisely—for example, Botswana. This country is now an upper-middle-income country with a real gross domestic product (GDP) growth of 10 percent, a rise in employment from 31 percent to 46 percent, tertiary education, and improved infrastructure between 1971 and 1996. Diamond mining makes up to 36 percent of GDP, but up to 70 percent of GDP is dependent on diamond mining.¹² Other examples of effective resource management would be Oman and Malaysia.

Lack of Capacity and Weak Legal Systems

Companies are often faced with situations where the policies and practices of governments of host countries are problematic; sometimes policies and practices at the national and local level are not aligned. Furthermore, sometimes government practices and policies may limit the ability of companies to implement their social policies.¹³ Weak regulations and lack of capacity may also result in serious environmental problems—for example, the inability of the Indonesian government to address conservation issues in the Lorentz World Heritage Site, adjacent to Freeport McMoRan's Grasberg mine. As a result of this lack of capacity, 28,000 illegal gold miners are operating in the area and releasing about 14 tons of mercury a year into the environment.¹⁴

Within the context of sustainable development many resource-rich developing countries may lack the capacity:

- to set strong environmental, social, and economic regulations that promote sustainable development within the extractive industry sector;
- to negotiate large projects for the benefit of the country's sustainable development;¹⁵ and
- to set and implement sound pro-poor fiscal policies that are transparent and accountable.

Political Stability and Security

Many companies continuously face major external issues such as the political stability and organization of the countries in which projects are operating. In many developing countries, extractive industry companies must learn how to work with the army and police force to ensure protection. This becomes problematic for these companies when these forces have human rights violation records.¹⁶ Companies are aware that the methods they use to address major security events may affect the way projects are perceived by the public, and they regard security of employees and property as an important part of ongoing project management.

Many of the more progressive companies have written policies and guidelines to govern arrangements with security forces that are sensitive to human rights issues and are consistent with international standards of law enforcement such as the U.S. and U.K. Voluntary Principles on Security and Human Rights.¹⁷

The Importance of the WBG's Involvement

Industry in general notes that the World Bank Group plays a very important role and that there is a continued need for the WBG to be involved in the extractive sector as it works to move closer to sustainable development principles and contribute more proactively to poverty alleviation.

Helping Countries Open Economies by Providing Political Risk Insurance

Until now the WBG has played a positive role in a number of industry projects, and it has also had an indirect influence on the mining or petroleum business environment of many developing countries. In BHP Billiton's experience, for example, "the WBG has often brought an independent 'voice of reason' during difficult periods, as well as bringing financial capital and political risk insurance."¹⁸ This can help projects to start in otherwise entirely unattractive circumstances. For example, the Mozal project in Mozambique was conceived immediately after significant political turmoil had caused great difficulty for the country to attract foreign direct investment. Within this kind of context, the WBG plays an important role in helping countries open their economies to investment and trade at a critical point of their histories. This role needs to continue in the future.¹⁹

Ensuring More Responsible Practices through Safeguard Policies

The WBG potentially has the convening power to ensure that environmental and social standards are achieved in the extractive sector, thus helping to ensure that social and environmental costs are internalized by companies and their equity owners or beneficiaries.²⁰ The World Bank's guidelines are seen as an important asset of the Bank. They have been very influential as guidance, even where the Bank is not directly participating in projects. But the priority now has to be to find ways to make the influence of "best practice" and Safeguard Policies extend through more of the project cycle. The impact at present is too focused on the project design and loan approval stage, and mechanisms have to be found to extend it through the whole life of the project, including the closure and post-closure periods. One mechanism that may be able to help is greater use of third-party monitors, along with greater transparency and dissemination of their evaluation efforts.

Helping Governments Improve Governance Capacity

The fact that the WBG is endowed with specific expertise and has programs available to develop capacity in revenue management in the mining, oil, and gas sector is essential in helping developing countries to design and manage government revenue systems to ensure sustainable development and poverty alleviation.²¹ The recent launch of the Equator

Principles, based on WBG principles, is one encouraging governance initiative. (See Annex Box 3–2.) The WBG can take a number of steps itself to help promote good governance.

Annex Box 3–2. The Equator Principles

A growing number of private financial partners, most notably the large banks involved in project finance, are incorporating environmental and social guidelines into their financing criteria. This trend gained significant momentum with the June 2003 announcement by 10 leading banks from seven countries of their adoption of the Equator Principles. By the end of July the number had grown to 13 banks from nine countries: ABN Amro Bank, N.V., Barclays PLC, Citigroup, Inc., Credit Lyonnais, Credit Suisse Group, HVB Group, ING Group, MCC, Rabobank, Royal Bank of Canada, Royal Bank of Scotland, WestLB AG, and Westpac Banking Corp.

This move codifies a voluntary set of guidelines for managing social and environmental issues related to the financing of development projects. The principles were developed by the banks, working in conjunction with the IFC, and they are based on World Bank and IFC environmental and social policies and guidelines. They are applicable to project financing activities in all sectors, including mining and oil and gas projects.

Under the Equator Principles, the banks commit to using the IFC’s environmental and social screening process, which categorizes projects as A, B, or C (high, medium, or low environmental or social risk). For Category A and B projects, banks will require detailed Environmental Assessments, modeled on existing IFC criteria, and including—where necessary—Environmental Management Plans that address mitigation and monitoring of environmental and social risks.

Significantly, the banks agree to “not provide loans directly to projects where the borrower will not or is unable to comply with our environmental and social policies and practices.” In addition, the banks agree to include covenants in their loan conditions to ensure that if environmental and social management plans are not followed and problems are not remedied by borrowers, the banks will have the ability to declare the loans in default. Thus financial partners adopting these principles will have potential leverage in both the project design and execution phases to encourage borrower compliance with WBG environmental and social standards. These banks represent 30 percent of the loan syndication market, underwriting approximately \$14.5 billion worth of project loans in 2002 (for all sectors, not just extractive projects), according to Dealogic, a firm that tracks project finance statistics. Their commitment to these principles could serve to accelerate the adoption of environmental and social lending criteria by other financial partners.

The new Equator Principles and their signatories are not without their critics. Citibank has come under heavy criticism for its involvement with Enron, and has been a target of NGOs for some of the projects it has financed in developing countries. The Rainforest Action Network, which has run U.S. television ads criticizing Citibank’s environmental practices, also criticized the new Equator Principles as having “loopholes” and insufficient mechanisms to monitor borrowers’ practices. “We’re not seeing the most ecologically endangered areas pulled off-limits for investment and mega-development projects,” said Ilyse Hogue, the Network’s global finance campaign director, in a Reuters interview.³

Sources: Associates for Global Change, *Impact of the World Bank Group's Social and Environmental Policies on Extractive Companies and Financial Institutions*, submitted to EIR Review, June 2003; Equator Principles Web site, at www.equator-principles.com; IFC, "Leading Banks Adopt Equator Principles," press release, 4 June 2003; Jonathan Stempel, "Banks to Adopt Environmental Rules amid Opposition," Reuters newswire, 3 June 2003.

- The WBG Country Assistance Strategy (CAS) for countries significantly dependent on mining should address the policy framework and capacity-building needs of the sector systematically, especially with respect to better and more transparent management of national expenditure programs and their integration with regional planning needs and local community priorities. The CAS should also focus on pro-poor policymaking and strong civil society participation to ensure executive arms are accountable.²²
- The WBG should help governments develop resource sector policy by more actively facilitating the transfer of knowledge concerning global best practice in environmental and social standards. WBG support should be offered to support government capacity to impose these high standards.²³
- In assisting governments to improve their policies to meet best environmental, social, and economic standards the WBG should not stop at influencing policy alone. It is important that the WBG continues to maintain a level of ongoing involvement with established alliances to ensure these policies are accompanied by a mature, transparent, and functioning system of implementation and compliance.²⁴
- To improve government planning, the WBG should assist governments to carry out geophysical surveys and mapping. These surveys are costly and often can only be carried out sensibly under the auspices of government agencies. They can have multiple benefits, including land use planning, environmental management, agriculture planning, and water management.²⁵
- The WBG could also help improve government capacity by training and educating extractive industries–related civil servants and by helping with the education syllabus and the content of course work.²⁶
- Support to individual projects should only be given where the WBG is confident that governance is of sufficient quality to ensure the industry contributes effectively to poverty alleviation and sustainable development.²⁷
- The WBG should continue to provide and expand its capacity-building efforts to help regional and central governments set up development plans in mining areas, in order to ensure that the full range of potential benefits can be achieved and the base for sustainable development can be established.²⁸

Climate Change

Climate change is recognized as an important issue by the oil, gas, and mining industries.²⁹ Understandably, there is a distinction between the mining industry and the oil and gas industry in addressing this issue, with the former seeing itself as a producer of resources and the latter as a supplier of energy in all its forms. While actions differ from company to company, the oil and gas industry is acting proactively on the renewable energy issue. The mining sector involved in energy provision is the coal industry, which is addressing the issues predominantly through energy efficiency and technological solutions within the industry itself. The main argument for this is the belief that coal is a must if the world is to meet the global energy needs of the future, especially the energy needs of the poor. The industry points out that huge reductions in carbon dioxide (CO₂) emissions could be made simply by installing state-of-the-art coal-burning technology (with efficiencies of 40–45 percent) in place of older plants, which in many parts of the developing world have efficiencies of 30 percent or even less. Bringing coal-fired plants worldwide up to best practice levels could save more CO₂ emissions than adherence to the Kyoto Protocol would. In the longer run, technology offers the possibility of ultra-low emissions, on a par with renewables and at comparable or lower costs. Two current initiatives in this area with strong coal industry involvement include:

- FutureGen—a U.S. proposal for an Integrated Gasification Coal Plant equipped with CO₂ capture and storage, to be operational within the next decade; and
- Coal 21—an initiative sponsored by Australian coal producers to develop near zero emissions coal-based electricity generation.

The oil and gas industry and mining industry are working in partnership with other industries, national governments, and international bodies to address concerns, while at the same time meeting the growing needs of society for energy by:

- encouraging the development of currently non-commercial technologies for cleaner fuel (in many cases including renewables investment by the oil and gas industry) and fuel cell technologies (both energy and metal mining companies), and promoting the dissemination and use of efficient commercial technology;
- improving scientific understanding of climate change and its impacts by addressing well-known uncertainties and supporting policy research;
- assessing and implementing approaches to reduce the level of greenhouse gas production;
- supporting research and projects to capture and sequester CO₂ emissions from operations and to store carbon in forests and underground reservoirs;
- participating in voluntary market-based initiatives and agreements such as emissions trading, Joint Implementation, and the Clean Development Mechanism;
- continuing to participate in and support the climate change debate to encourage development of appropriate options and strategies; and
- investing in research and development of lower carbon-intensive and alternative, renewable energy resources—some multinational oil and gas companies have invested in extensive manufacturing capabilities (such as in photovoltaics) and have large pilot projects under way.

Industry participants noted several ways that the WBG can help mitigate climate change:

- A few leading oil and gas companies believe that the WBG could play a powerful role as the bridge to a sustainable energy future by concentrating on promoting an enabling framework for the development of less carbon-intensive sources (for example, gas) as well as new energy sources. Big companies have no difficulty in financing research for new technologies and energy sources, but the role of the WBG in helping governments create the enabling environment is crucial if clean and sustainable energy sources are to take off in the foreseeable future.
- The WBG could expand its projects to contain gas flaring and help countries develop frameworks to use this gas. Also the WBG could help the switch to gas in developing countries dependent on coal. Turkey was provided as an example of a country dependent on indigenous coal until the early 1990s that successfully switched to gas with very positive environmental improvements. It was suggested that maybe the same could be encouraged for countries like China and India. One way to promote the transfer to gas would be by providing governments with technical assistance in removing the current distorting subsidies.
- Some mining industry stakeholders recommended supporting the reduction of climate-changing emissions by the use of advanced technologies and higher efficiencies, given the very significant reductions that can be achieved in an economic fashion.
- The WBG could support efforts to adhere to international climate change policies—for example, to internalize costs, enact carbon-based policies and measures, and remove perverse subsidies.³⁰

Artisanal and Small-Scale Mining

Artisanal and small-scale mining (ASM) issues were raised by industry participants across the board in all EIR consultations with the exception of Eastern Europe and Central Asia. Industry has different views from region to region. The Mining Industry Association of Southern Africa, for example, maintains that uncontrolled small-scale mining is undesirable, since any benefits it brings are outweighed by its damaging social and environmental consequences. In contrast, a formal ASM sector can play an important development role (see Annex Box 3–3) and can help maximize the mineral potential of countries, create employment, support communities, and provide additional demand for goods and services, thereby boosting the development of a secondary sector.³¹

Annex Box 3–3. Small-Scale Mining in Papua New Guinea

In Papua New Guinea (PNG), small-scale gold mining is legally recognized by the State

is reserved for national citizens only. Small-scale mining is well regulated in PNG as a consequence of the country's mining history, the development of its mining law, and very strong customary ownership rights to land. Today 97 percent of the land is owned by indigenous peoples and 3 percent by government. Mining regulations are enforced by Mining Wardens and Mines Inspectors. Courts and police also are used to ensure enforcement.

Small-scale mining in PNG is also well supported by international aid agencies and industry. The support includes education and training, as well as micro-finance programs, and comes from AusAid, the World Bank Group, the Japanese Social Development Bank, the Asian Development Bank, and Sysmin (the European Union). Overall, these programs have significantly improved miners' awareness of the hazards of mercury. Miners in large river systems, from which thousands of people derive their food, have stopped using mercury. There is also greater awareness of overall environment and safety issues and a steady increase in annual production.

It is estimated that PNG has 50,000 small-scale miners, whose income benefits approximately 400,000 other people and who produce up to 145,000 ounces of gold per year, equivalent to \$45 million. The average annual income per miner is \$900, which is substantially higher than the overall average income of \$250.

With good regulations in place, mine closures can be planned in a more sustainable way. At the Bulolo mine, for example, a well-planned closure led a small-scale mining company to develop a sustainable timber plantation project, using infrastructure established by the mining operations. This plantation is still viable today, sustaining a local community, many of whom are descendants of the former mine workers, 35 years after mine closure.

Source: "Program Successes in Small Scale Mining in PNG," presented by Trevor Neale at the Extractive Industry Review Consultation in Bali, April 2003.

Some industry participants, especially small-scale gold mining companies, maintained that formal ASM should be made into an attractive option for poverty alleviation and sustainable development. Artisanal miners should not be deprived of their livelihoods; rather, the establishment of a multistakeholder cooperation would be an option. This possibility is being explored in Tanzania with funding from the U.S. Agency for International Development, managed by the Tanzanian government and executed in part by the Chamber of Mines in Tanzania. Many industry participants in the Asia-Pacific EIR consultation held similar opinions on this issue.

Industry participants noted several ways that the WBG can improve the environment performance of ASM and contribute to poverty alleviation³²:

- The WBG could assist in promoting the quality of the lives of millions of small-scale miners around the world by helping them acquire legal title to mineral rights. Such ownerships will permit these miners to trade their rights or use them for collateral to obtain financing. In relation to this, the WBG could help governments improve policies

and their ability to regulate a successful small-scale mining sector that can truly contribute to sustainable development.

- Many industry representatives who participated in the Africa Consultation suggested the WBG should adopt the Harare Declaration, which contains guidelines to provide a framework encouraging the development of the small-scale mining sector as a legal and sustainable activity and to optimize its contribution to social and economic development.³³
- The WBG could play a role in improving small-scale miners' expertise and resources, metallurgic skills, and access to markets.

Legacy of the Past

In almost all the consultations the EIR had with industry stakeholders, the issue of past legacies was raised. There was general recognition that this issue is one of the most challenging problems facing industry in dealing with other stakeholders, especially with civil society representatives. While future closure plans are being dealt with seriously by industry, past legacies are a different matter. Industry regards the legacy issue as primarily the responsibility of other institutions, including the WBG and governments.

Industry participants noted several ways that the WBG can help cleanup the legacies of the past:

- The IBRD and IDA should expand the scope of their activities in the sector by helping to tackle the legacy problems of abandoned mines.³⁴
- The WBG, in funding projects related to the oil and gas industry, should maintain a strong commitment to solving environmental legacy problems. The existence of these problems can deter direct foreign investment in the sector. By addressing these issues, the WBG can help open up possibilities for further investment affecting poverty alleviation.³⁵

Corporate Responsibility and Accountability: Improving Standards and Practices within the Industry

Environmental Responsibility

The effects of extractive industries on the environment are being managed increasingly to reduce their negative impacts. ICMC companies, for example, have adopted a series of actions for responsible management of the environmental impacts from mining. The three most important of these are adoption of responsible environmental policies and introduction of independent audit systems to ensure that environmental policies are applied in practice as intended by policy, comprehensive public environmental reports that are increasingly published and are verified by independent bodies, and environmental impact assessments that are now standard practice for projects. Most company policies on the environment aspire to minimize operational impacts on the environment and, where feasible, to enhance and protect the environment quality in their operating areas.

Biodiversity

Extractive industries often operate in tropical rain forests, wetlands, deserts, and arctic tundra. This exposure, together with increased awareness and demand from civil society, has increased the industry's sensitivity to biodiversity. The oil, gas, and mining industries recognize that their record on this issue in the past has not been perfect. However, many of their efforts to improve have been communicated to the EIR.

During its visit to the Kutubu Petroleum Development Project in Papua New Guinea, for example, the EIR learned of the Kutubu Wildlife Management Authority that was founded by the company in collaboration with the Department of Environment and Conservation and with landowners; they also declared Kutubu a protected area. The plan stipulated the need for a policy of minimum disturbance to the tropical rainforest; the prevention of accidental spills into Lake Kutubu; burial of the pipeline to protect flora and fauna; the re-injection of all production water into the reservoir; and a 24-hour emergency response plan for oil spills. Furthermore, the sponsor of the Kutubu project (Chevron New Guinea) initiated an agreement with World Wildlife Fund–US and the office of Environment and Conservation to develop a collaborative biodiversity protection effort aimed at preserving Papua New Guinea's unique ecology and wildlife.³⁶

Companies are increasingly forming partnerships to improve their effectiveness in protecting biodiversity. During informal discussions with a number of companies, the EIR learned of some of these partnerships—for example, between BP, Chevron-Texaco, Shell, and Statoil, which are working with Conservation International, Fauna and Flora International, the World Conservation Union–IUCN, the Smithsonian Institution, and The Nature Conservancy on the Energy and Biodiversity Initiative.

Mining industries are also contributing proactively to biodiversity conservation through data gathering and monitoring in remote areas, often in conjunction with academic and conservation partners, and by managing land in a way that contributes to biodiversity objectives. In a response to the challenge laid out in the Mining, Minerals and Sustainable Development (MMSD) report concerning biodiversity conservation, ICMM established a Terms of Reference for dialogue with IUCN. In the long term, this dialogue aims at continuing the promotion of performance improvement and at convening a broad working group to establish more transparent, consistent, and equitable processes for reconciling development and conservation needs in land access decisions.³⁷ Among the key activities of the dialogue in 2003 are a review of protected area and mining legislation in selected countries and the preparation of a scoping paper aimed at developing integrated and transparent approaches to land use planning, biodiversity conservation, and mining, including “no-go” zones.³⁸ Furthermore, ICMM understands that the analysis of all options for land use will sometimes mean that mining projects cannot proceed because unique and sensitive biological or cultural values would be compromised if they did.³⁹

One controversial issue for the extractive industry and civil society organizations is mining in protected areas. Industry agrees that mining may not be appropriate in some rare, fragile, and

unique ecosystems, but that multiple land use principles can generally be applied, thereby allowing the industry to operate in many protected areas (such as in IUCN category VI areas). The industry is fully aware of the strong opposition from most conservation interests, and in recognizing this strongly encourages cooperation and partnership with protected area agencies.⁴⁰

Project closure

The oil, gas, and mining industries are equally concerned about project closure, although the mining industry seems to give more emphasis to the social aspect of mine closure. This could be due to the fact that mining projects employ many more workers. The sustainability of communities in the post-mining and post-project period, especially in remote areas where large resource projects are located, is of primary concern to extractive industries. It is admitted that closure of projects can be devastating unless adequate planning and preparation have been carried out long in advance.⁴¹ Recognizing this, mining, oil, and gas companies have developed various approaches to mitigate closure problems, ranging from environmental rehabilitation to community trust funds and retrenchment programs.

Industry submitted many examples of closure plan to the EIR. One example is the PNG Sustainable Development Program Company. Funds for this company will come from future dividend payments from shares in OK Tedi Mining Limited (OTML) transferred by BHP Billiton. The dividend flows will fund sustainable development programs throughout the remaining 10 years of the mine's economic life and for up to 40 years following the mine's closure. This example could be adapted for other extractive industries projects where economic opportunities will be significantly curtailed when the mine or project closes.⁴² Other initiatives involving stakeholder participation and shared decisionmaking with regard to both mine development and closure are documented in the MMSD report. However, a number of industry players were of the opinion that even the best closure plans cannot guarantee full employment of workers beyond the life of a project, highlighting the importance of coordinating these efforts with the actions of governments.

Water management

The oil and gas industry considers water management one of its main concerns. Water is essential for production and refining processes. Industry is faced with the difficult task of balancing severe water shortage in some cases with the growing demand to use water for production. This will be achieved by restricting the use of potable water, treating and reusing water, and using exploration and drilling skills to find new water to meet various needs, including the needs of local communities for potable water, as done, for example, by Nexen Inc. in Yemen.⁴³

The mining and metals industry also pays important attention to water issues: specifically, to water conservation and the impact on surface and groundwater. To conserve water, efficiency targets are set, and the impacts of groundwater extraction on underground aquifers are monitored. To lower impacts on surface and groundwater, the industry is constantly

improving technologies that will reduce discharge, prevent sediment run-off, better manage processing and tailings retention systems, and recover contaminated water.⁴⁴

Hazardous materials and waste management

Oil spill preparedness and response is a major focus for the oil and shipping industry. Oil spills have declined significantly since the 1970s due to successful preventive actions by the International Maritime Organization (IMO), the U.N. Environment Programme (UNEP), and the oil shipping industry. In 2000, for example, 99.9992 percent of oil transported worldwide by sea was delivered safely. The oil industry has also established oil spill response cooperatives in strategic locations around the world to address the lack of expertise in managing and operating oil spill equipment and to ensure expert maintenance and effective deployment by trained personnel when needed. The oil and shipping industries also fund international conventions that were developed under the auspices of the IMO to ensure that compensation can be paid to victims of oil spills, without the need of litigation in the vast majority of cases.⁴⁵

Risk management in the mining and metals sector has become increasingly important, as the continued occurrence of industrial/technological emergencies, such as chemical spills and tailings dam failures, have had devastating effects for both the environment and the public. Some 150 mining environmental accidents occurred between 1983 and 2002. Of these, 15 involved cyanide, of which 7 were tailing dams failures, 4 involved pipe failures, and 4 involved truck accidents.⁴⁶ In many of these cases, companies, response bodies, and communities were not fully prepared or sufficiently informed to deal with the incidents.

In response to these incidents, the gold-producing industry and UNEP, together with multistakeholder input, recently developed a voluntary code for the manufacture, transport, and use of cyanide in the production of gold. It is known as the International Cyanide Management Code. This is a transparent, verifiable, and voluntary program for gold mining companies that focuses exclusively on the safe management of cyanide and cyanidation mill tailings and leach solutions. Companies that adopt the code must be audited by an independent third party to determine the status of code implementation.⁴⁷

The mining industry has also collaborated with other stakeholders in developing other voluntary initiatives for dealing with emergency preparedness and prevention issues. One example is the work with UNEP on the Awareness and Preparedness for Emergencies at Local Level (APELL) for Mining program. Through a consultative process at the regional and national level, the key mining industry associations have updated their tailings management guidelines to provide better guidance on dam failure prevention.

Established in 1988, the APELL integrated emergency plan involves communities, governments, companies, and relevant national response bodies. It provides local communities with greater awareness of hazards and helps them prepare for and respond to emergencies. The chemical industry's Responsible Care initiative has its origins in APELL. Subsequently, the APELL approach has been applied to ports, to the transport of hazardous materials, and most recently to mining. Since 2001, the *APELL for Mining Handbook* has

been influential in helping mining companies, communities, and governments develop their own emergency prevention and preparedness plans. This work continues through ICM, which is actively promoting APELL among its members, sharing experiences of good practice and examining how best to get the community involved in the planning.

Peru provides a specific example of recent improvements in local-level planning. Following the Yanacocha mercury spill in 2000, the Peruvian government requires all mining operations to prepare an emergency response/contingency plan for handling and transporting hazardous materials. In response, three companies—Antamina, Barrick at Pierina, and Newmont at Yanacocha—got together to develop a safe transportation initiative that includes APELL implementation. The initiative involves establishing a system to audit and monitor the transport of hazardous materials to and from the three mines and developing a coordinated spill response program, which included training local firefighters and police. At the same time, these companies have been working with the government, with technical guidance from UNEP, to implement a nationally coordinated APELL plan.

On a company, most of the large multinational companies have put in place specific policies, procedures, management systems, and training that deal with emergency preparedness. Emergency response plans involve risk identification and evaluation, development of emergency response procedures and communication guidelines, identification of available resources (including integrated response coordination groups that include communities and local emergency response services), training for the response group, and periodic testing and evaluation of the plans.

Waste management for the oil and gas industry includes reuse, recycling, reduction, and disposal throughout every stage of operation—from exploration throughout the entire lifecycle of products, including product stewardship. (See Annex Box 3–4.) A variety of techniques and technological innovations are constantly evolving to address the issue of waste management. Decommissioning of facilities is also carefully considered, as is the remediation and rehabilitation of sites when necessary. Innovative examples of how the industry is increasing its quality of waste management include the Abu Dhabi National Oil Company's reduction of 9 million cubic feet of gas venting per day in its Asab and Bab fields and Statoil's elimination of the release of 550 metric tons of sulfur dioxide at Denmark's Kalunborg refinery by constructing a new plant producing agricultural fertilizer from the leftover sulfur.⁴⁸

Annex Box 3–4. Product Stewardship and Recycling for Sustainable Patterns of Consumption

Major metal industries are increasingly extending their business outlook to include consideration of the complete life cycle of their products, from the time a metal is mined to its recycling or disposal in a safe way that does not endanger human health or the environment. This approach is called product stewardship. The practice of product stewardship includes:

- the provision of information concerning any potential product related hazards, as well as information on the best ways to use metals to minimize possible risks;

- investing in research to further understand the properties of metals and their life cycle effects on human health and the environment to improve the safe use of metals;
- the promotion of recycling and support of efficient and competitive recycling networks and industry; and
- work with government, downstream users, and others in the development of sound, balanced, and scientifically based legislation, regulations, and product standards that protect employees, the community, and the environment.

Source: W.G. Jeffrey, *A World of Metals; Finding, Making and Using Metals, Second Edition* (Ottawa, Canada: International Council on Metals and the Environment, 2001).

Mining, smelting, and refining companies are working on reducing hazardous emissions from their operations through tight monitoring and by establishing reduction targets. Addressing water discharge can include volume reduction and reducing cyanide, suspended solids, and metals. Airborne reductions include sulfur oxide, fluoride, greenhouse gases, and oxides of nitrogen. While this does not yet seem to be common practice globally, the ARET program in Canada has demonstrated that considerable progress can be made: participating mining companies have achieved a 70 percent reduction in emissions during the 1990s.⁴⁹ There are many other good examples in progress within the industry, but these are mostly in industrial countries.

For the mining industry, tailing management is a very important issue. ICMM, for example, considers the worldwide frequency of two to five major tailings impoundments failures per year (about 0.1 percent) to be unacceptably high. Many initiatives are being taken to improve this situation—from efforts to improve monitoring and management to the development of better technologies.

Riverine tailing disposal is considered by some companies to be a practice of the past that is no longer acceptable. However, some mines, such as OK Tedi, Grasberg, and Porgera, are still employing the practice because the physical characteristics of their operating areas make other alternatives impractical. The companies involved have all conducted numerous studies on the effects of this method of tailings disposal and have programs in place to mitigate impacts. ICMM recommends further discussion between stakeholders on this issue.

Submarine tailings disposal is seen by the mining industry as a possible preferred alternative to tailings disposal, especially where land is scarce. The industry recognizes the strong concerns NGOs have on this method of tailings disposal, and companies recognize the need for research at mine sites that use submarine tailings disposal to further understand ecosystem recovery rates. There is an initiative to prepare a set of criteria and guidelines for operators, regulators, and communities on the conditions needed for submarine tailings disposal to be appropriate. The guidelines will be developed in a participatory way with all concerned stakeholders.⁵⁰

Acid drainage from mine waste is yet another long-standing and intractable environmental issue faced by the mining industry. This is a problem created by mine wastes and tailings that contain sulfides, which can lead to the development of acid water and the mobilization of heavy metals into the environment.

How the WBG can help promote high extractive industry standards

- The WBG should promote comprehensive impact identification and mitigation planning, so that each identified impact of a project has a corresponding clearly articulated mitigation strategy.
- The WBG should engage in an environmental education role with civil society to communicate best practice and the inclusion of specific impact-based mitigation requirements. The WBG should also educate communities about its Safeguard Policies and the measures it implements to ensure compliance.
- The WBG needs to transfer the conflict resolution capacity of the Compliance Advisor Ombudsman to local institutions and people. This would empower local actors to build trust and confidence in each others' objectives. Many industry representatives see the value of having grievance mechanisms to ensure there are no unresolved conflicts or human rights abuses.
- The implementation of WBG standards over the life of a mine needs to be strengthened, and monitoring of the Safeguard Policies needs to be carried out beyond the term of the WBG's financial interest in the project. A critical requirement should include credible mine closure plans. It was also suggested to use third-party monitors more, as the transparency of their findings would help the effectiveness of the Safeguard Policies.
- The WBG should strengthen its partnership activities with governments, the private sector, local communities and the voluntary sector, with a view of promoting mine-related business enterprise, capacity-building activities, and community development. The IBRD should also reorient its activities toward the poorest developing countries. This could be done by providing advice and assistance in the development of various models of revenue trust funds to ensure benefits extend beyond the post-mine closure period, especially for communities in remote areas.
- The IBRD should reorient its activities toward the poorest developing countries.
- The WBG can encourage good practice in individual projects by applying and regularly reviewing standards and criteria for funding. This may be particularly valuable where national oil companies are involved, as they may not come under the same international pressure to conform to international good practice.
- The WBG should only lend to projects where the capability to deal with oil spills can be demonstrated.

- WBG funding for projects should be approved on a life-cycle basis, including decommissioning and rehabilitation plans with realistic cost provisions.
- Safeguards should include credible mine closure plans.

Social Responsibilities

Ethics and human rights

Industry today recognizes that an important consideration in the economic and social dimensions of sustainable development is the need for a deeper commitment to ethical behavior and respect for human rights. Industry must consider these matters since many of their business operations are in countries or regions where human rights abuses and unethical business practices are prevalent.⁵¹ Many companies are now proactively changing the way they are working in communities. Freeport McMoRan, for example, has heard many allegations of involvement in human rights abuse that have been endorsed by, among others, the Indonesian National Commission on Human Rights. Today the company is working with the local community to address current human rights issues. In 2000, the company reached a memorandum of understanding with the Amungme and Komoro local community, which focused on socioeconomic resources, human rights, land, and environmental rights. This landmark agreement was achieved after five years of negotiation and is intended to foster continuous dialogue to improve mutual understanding and respect and to enable local people to achieve their aspirations and to continue harmonious relationships.⁵²

While not all companies have explicit human rights policies, an encouraging example is the business and human rights exercise being carried out by the Prince of Wales International Business Leader Forum, featuring BG, BP, BHP Billiton, BOC, Premier Oil, Rio Tinto, and Shell.⁵³ The best practice categories featured in this exercise include:

- *Policy commitments*—Explicit human rights policies such as a declarations of support for the United Nations Universal Declaration of Human Rights, the Core Labour Conventions of ILO, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the Organisation for Economic Co-operation and Development’s Guidelines for Multinational Enterprises; statements of business principles of conduct; a commitment to business integrity; application of policy in business partnership arrangements; and policy and guidelines governing arrangements with security forces, based on the U.S./U.K. Voluntary Principles on Security and Human Rights.
- *Assurance mechanism and management systems*—Board-level and senior management responsibility for overseeing human rights; assurance systems in place at operational level; internal communication and training on human rights; risk assessment and social impact studies; stakeholder dialogue; and performance audits and verifications.
- *Disclosure strategies*—Publication of social reports, disclosure of noncompliance, and disclosure of remedial steps over noncompliance.

- *Engagement in global human rights initiatives*—Support for the U.N. Global Compact, the Global Sullivan Principles, and the U.S./U.K. Voluntary Principles on Security and Human Rights.

Many corporations recognize the importance of community-based participation that leads to understanding and community support, as well as agreement on necessary precautions, mitigation, and compensation. Information, discussion, and understanding between stakeholders are seen as the correct prerequisite for sustainable development.

Dealing with local communities

More and more companies believe that resettlement is not always the best solution and that it is too often resorted to. It is recognized more commonly today that communities are part of the fabric of a project and that any relocation should be looked at very carefully. The more progressive companies often prefer to use better technology to prevent any resettlement.

Companies efforts to deal with local communities of indigenous peoples have been a major issue. In the industrial world, including the United States, Canada, and New Zealand, indigenous peoples enjoy First Nation status. (See Annex Box 3–5.) In Australia and many Pacific Island countries, they also enjoy recognition of their traditional land tenure rights. In these countries, extractive industries companies have dealt directly with national governments and traditional landowners and their representatives. This can result in fair deals for the indigenous community. In developing countries, however, the situation varies widely. Often indigenous peoples are disenfranchised by national regimes. There is a growing awareness among extractive industries companies about the importance of working directly with indigenous peoples in order to respond to local concerns and to create opportunities that meet the aspirations of these people.⁵⁴

Annex Box 3–5. The Whitehorse Mining Initiative

The Whitehorse Mining Initiative (WMI) was an industry-proposed multistakeholder national initiative launched in September 1992 during the Mines Ministers annual conference to develop a common vision and strategy for the responsible development of Canada’s mining industry.

Following an intensive “two-year multistakeholder national consultation process of discussion, argument, deliberation, negotiation and compromise,” the WMI Leadership Accord was signed in September 1994 by the Minister of Natural Resources and representatives of 27 major stakeholder groups, including the majority of provinces and territories, industry, Aboriginal peoples, labor, and environmental associations. Their vision was of a socially, economically, and environmentally sustainable and prosperous mining industry, underpinned by political and community consensus.

The principles and goals became the first step toward revitalizing mining in Canada—changes needed to restore the industry’s ability to attract investment for exploration and development and at the same time to ensure that the goals of Aboriginal peoples, the environmental community, labor, and governments would all be met.

The Aboriginal peoples stated their own perspective of WMI, including its recognition that mineral exploration and development had occurred on lands the Aboriginal peoples used and occupied for thousands of years and that mineral activity had disrupted their traditional lifestyle, leaving few traditional economic opportunities for Aboriginal peoples. Aboriginal peoples had not always been consulted on mineral activity nor invited to participate in environmental and infrastructure planning related to a mine project on their lands. They had not received cash compensation, been included in business opportunities, or been offered opportunities for quality training and quality employment. Similarly, environmental organizations have not consulted Aboriginal peoples, and environmentalists’ lack of respect for community economic development goals and objectives has hindered community well-being and economic growth. The recommendations to bind and improve relations between Aboriginal peoples and the mining industry for present and future generations “will come out of the WMI.”

WMI was the first multistakeholder dialogue involving the Canadian mining industry, governments, environmentalists, labor, Aboriginal peoples, and others. The trust and the partnerships that began at that time have contributed to, among other things, the Minerals and Metals Policy for Canada, the new species-at-risk legislation, the national biodiversity forum, and an attempt to address the issue of abandoned and orphaned mines. The Canadian mining industry contributes some \$36 billion to the Canadian GDP (\$50 billion to the minerals and metals export account); employs some 360,000 people, mostly in rural and remote areas; and contributes over 64 percent of port volume and 60 percent of rail freight revenues.

Source: W. Hoskin, Minerals and Metals Sector, Natural Resources Canada, 2003.

Oil and gas companies aim to become active and responsible members of the communities they are working in. The International Petroleum Industry Environmental Conservation Association (IPIECA) and the International Association of Oil & Gas Producers have articulated the importance of community participation as follows: “Early and continuing interaction with communities is important to identify and address their concerns and needs, and manage expectations and project commitments. Communities in the project area may have differing characteristics, objectives, and requirements that need to be considered. Community support is critical to success. Typically, it is important for communities to be able to give free and informed consent.”⁵⁵

Many in industry believe that private resource companies are achieving a much greater focus on development as a priority and understand how development success and effective partnership can benefit both developing societies and business. A number of companies brought forward examples or case studies pointing to successful development outcomes. In some cases one of the principal successes of development has been building human capital by hiring and training local workers. A number of companies have made considerable

investments in training their work forces. Raising the capacity of the work force is one of the deepest and most enduring ways in which mines contribute to sustainable development at the local level. A growing trend among the industry is to start early in implementing community development initiatives.

There are many examples where oil and gas companies are working to involve local communities for balanced development. In the BP Tangguh LNG project in West Papua, Indonesia, for instance, the area of the project is sparsely populated, with 5,000 people in 9 villages in the immediate area. This project intends to be a catalyst for community-driven development by establishing a forum and a foundation as a platform for discussing issues and planning community development, all to be funded by a trust fund. The project will seek to promote consultation, empowerment, participation, partnership, sustainability, transparency, and respect for human rights as its basic values. It will conduct annual participatory planning activities with directly affected villages, so that communities can drive their own development, assisted by project resources and partnerships with other stakeholders.⁵⁶

The metals and mining industry is also progressing in its thinking concerning the ways it interacts with local communities and is continuously searching for ways to create sustainable community legacies. Recognizing that each mine and mining community is unique, the ICMM member companies have committed to follow a set of community responsibility principles:

- Respect cultures, customs, and values of individuals and groups whose livelihoods may be affected by exploration, mining, and processing.
- Recognize local communities and other affected organizations and engage with them in an open, transparent, and effective process of consultation and communication, from exploration through production to closure.
- Assess the social, cultural, environmental, and economic impacts of proposed activities and engage with local communities and other affected organizations in the design of community development strategies.
- Contribute to and participate in the social, economic, and institutional development of the communities where operations are located, and encourage the establishment of sustainable local and regional business activities.
- Reduce to acceptable levels the adverse environmental and social impacts on communities of activities related to exploration, extraction, and closure of mining and processing facilities.
- Respect the authority of national and regional governments—take into account their development objectives, contribute information related to mining and metals processing activities, and support the sharing of the economic benefits generated by operations.⁵⁷

Health and safety

Extractive industries contribute significantly to improving health conditions in poor developing countries. For instance, Anglo American pays at least \$40 million a year in health costs at its African operations alone. Many companies show a community component in their health and safety programs. Examples include a Placer Dome–sponsored vaccination program that has successfully eradicated filariasis and improved the life expectancy and health of babies on Misima and neighboring islands in Papua New Guinea and the Home-Based Care program in South Africa for HIV/AIDS patients that received a Development Marketplace Award in 2002 for venturing beyond preventative care (also a Placer Dome initiative).

In addressing health issues in the areas where they operate, extractive industries companies show a great wealth of creativity and a willingness to work with local partners, as well as with international organizations. Examples include Chevron-Texaco’s on-line workshop on HIV/AIDS prevention, conducted by the African Women’s Media Center; BP’s sponsorship of *Soul City*, a popular soap opera that tackles some of South Africa’s most pressing issues, including AIDS awareness; and ExxonMobil’s support for the World Health Organization in the Roll Back Malaria campaign, alongside the governments of several malaria-infected countries, UNEP, UNICEF, and the World Bank.⁵⁸

For many extractive companies, the impacts of operations and products on the health of employees, local communities, and consumers are also considered a core element of sustainable development.⁵⁹ This means that the safety of operations, products, and transport are of prime importance. Much is being done to continuously improve the safety within extractive industry operations and their products. For example, TotalFinaElf has the objective of achieving, as close as possible, “zero risks” through safety and awareness programs and by continuously developing new safety tools.⁶⁰

Leading companies also put significant emphasis on safety issues. Compania Minera Antamina S.A. in Peru, for example, has entered into a contract with Ibero-American Science and Technology Education Consortium, a world-class safety company, to ensure an integrated environmental and safety system focusing on risk management to ensure control of all potential losses. The company’s safety program includes mandatory training for all personnel and a safety practice that covers the following principles:

- All accidents can be prevented.
- Safety is the responsibility of any and all workers.
- Management is directly responsible for preventing accidents and losses.
- Working safely is a condition of employment.
- Management and line supervision are responsible for ensuring that workers receive proper safety training.⁶¹

Public Environmental and Social Reporting

Many extractive industry companies and associations are now voluntarily reporting their environmental and social initiatives. There are also efforts to harmonize this reporting. An example is the current corporate reporting initiative by IPIECA and the American Petroleum

Institute (API) to develop a tool that will help oil and gas companies and industry associations improve quality, scope, completeness, and capabilities of Health, Safety, and Environment programs, along with sustainability performance reporting. The tool will aim at meeting the needs of key internal and external stakeholders. The assessment phase of this initiative has produced a Compendium of Sustainability Reporting Practices and Trends for the Oil and Gas Industry, providing a baseline of current reporting practices, trends, challenges, and needs of oil and gas companies. IPIECA and API will use this information to facilitate progress in sustainability reporting for the oil and gas industry.⁶²

State-Owned Companies

Developing countries have frequently chosen to concentrate some or all activities in the production of oil and gas or minerals in state-owned enterprises. Often, these have played a vital role in overcoming the legacy of the colonial past, giving developing countries the political autonomy to chart their own development futures free of overbearing foreign interference and providing a training ground in which their citizens have learned enough about the extractive industries to be more effective managers and participants in what were previously foreign-dominated enclave economies. They have also in general been strongly oriented toward acting as agents of development. Indeed, the unwillingness of international private companies to focus on development concerns was a major driver of nationalization.

Many countries have made the political decision to continue state participation in these sectors, or some aspects of it, through state-owned companies. Indonesia, Malaysia, Venezuela, and a host of Middle Eastern countries have state oil companies. The largest copper producer in the world, which produces 15 percent of total world copper output, is CODELCO, 100 percent owned by the Chilean government. There are many other examples.

There was considerable stakeholder comment in Eastern Europe to the effect that privatization had been rushed and often poorly handled: that privatization itself was seen as the goal rather than as a means to the objective of poverty alleviation or greater sustainability. Closure, some comments suggested, was pursued even in the absence of a clear vision of the future for affected workers.

In general, it is clear that there is a great diversity among these companies and what they do. To begin with, many of them have always existed in market economies and had to learn to cope with competitive pressures. While some of them have been subsidized, or sold gasoline or coal to their citizens at subsidized prices, they have existed in the context of an economy where most prices are set by markets.

Others were created in former socialist economies, with a predominance of state-administered prices. This economic model also featured relatively low cash salaries but provided a long list of services to workers and their families—education, housing, food, water, electricity, and so on. As these economies move away from the subsidized model, they need to adapt simultaneously to receiving market prices for their products and a new model of relations with their workers, emphasizing higher cash salaries and worker purchase of goods and services.

Unfortunately, the Extractive Industries Review had relatively little stakeholder input from these companies.

Notes

- ¹ ICMC 2002b.
- ² IPIECA and OGP 2002c.
- ³ MMSD 2002.
- ⁴ Anglo-American 2003.
- ⁵ IPIECA and OGP 2002c.
- ⁶ Jennings 2003.
- ⁷ Anglo-American 2003.
- ⁸ IDRC 2003.
- ⁹ Companhia Mineraria Antamina S.A. 2000.
- ¹⁰ ICMC 2002b.
- ¹¹ ICMC 2002a.
- ¹² EIR Minutes of London Meetings, July 3–5, 2002.
- ¹³ IPIECA and OGP 2002b.
- ¹⁴ ICMC 2002a.
- ¹⁵ BHP Billiton 2002.
- ¹⁶ EIR Asia Pacific Notes of Evening Discussion on Militarization.
- ¹⁷ IBLF n.d., Amis and Prescott 2002.
- ¹⁸ BHP Billiton 2002.
- ¹⁹ BHP Billiton 2002.
- ²⁰ BHP Billiton 2002.
- ²¹ BHP Billiton 2002.
- ²² ICMC 2002b.
- ²³ BHP Billiton 2002.
- ²⁴ Newmont Mining Corporation 2002.
- ²⁵ BHP Billiton 2002.
- ²⁶ BHP Billiton 2002.
- ²⁷ Anglo-American 2003.
- ²⁸ Newmont Mining Corporation 2002.
- ²⁹ This section is based on EIR informal discussions with industry during visits to Australia and the United Kingdom in 2002 and on EIR Regional Consultation Reports.
- ³⁰ BG Group 2002a.
- ³¹ MISA 2001.
- ³² EIR Maputo Consultation notes.
- ³³ OAU 1989.
- ³⁴ Regional Consultations Reports and informal discussions with industry stakeholders.
- ³⁵ BG Group 2002a.
- ³⁶ EIR 2002b.
- ³⁷ IUCN and ICMC 2003.
- ³⁸ IUCN and ICMC 2003.
- ³⁹ IUCN and ICMC 2003, p. 35.
- ⁴⁰ ICMC 2002a.
- ⁴¹ IPIECA and OGP 2002b.
- ⁴² BHP Billiton 2002.
- ⁴³ IPIECA and OGP 2002c.
- ⁴⁴ IPIECA and OGP 2002c.
- ⁴⁵ IPIECA and OGP 2002c.
- ⁴⁶ ICOLD and UNEP 2001.
- ⁴⁷ <http://www.cyanidecode.org>.

- ⁴⁸ IPIECA and OGP 2002c.
⁴⁹ Mining Association of British Columbia 2003.
⁵⁰ ICMM 2002a.
⁵¹ EIR Asia Pacific Notes of Evening Discussion on Militarization.
⁵² Freeport-McMoRan Copper & Gold Inc. 2002.
⁵³ IBLF n.d., Amis and Prescott 2002.
⁵⁴ IPIECA and OGP 2002b.
⁵⁵ IPIECA and OGP 2002b.
⁵⁶ BP 2003.
⁵⁷ IPIECA and OGP 2002c.
⁵⁸ IPIECA and OGP 2002c.
⁵⁹ ICMM 2002b.
⁶⁰ TotalFinaElf, *The Path to Sustainable Development*, brochure, 2001.
⁶¹ Compania Minera Antamina S.A. 2000.
⁶² IPIECA 2001.