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New Frontiers in Local Content: Environment and Transparency

Policy Brief

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Mining companies are some of the most important private sector actors in many countries in Sub-Saharan Africa, yet in many cases their linkages with the national economies in which they extract minerals is limited. In recent years there has been a growing interest in how mining companies can be better integrated within the economies of mining jurisdictions through local content policies.



Introduction

Local content regulations have become an important focus for national governments seeking to promote enhanced developmental impact of mining activities within their borders. These concerns reflect social and economic objectives – the question of *who benefits* from mineral value chains is paramount. Environmental concerns have also become increasingly prominent within the mining governance agenda, including questions around the industry's contribution to global greenhouse gas (GHG) emissions. The potential connection between the local content agenda and environmental governance, however, has not received significant attention. This briefing seeks to outline a provisional set of issues that could be explored around the nexus of local content and environment within the mining sector; it draws on discussion generated at an exploratory workshop convened on this theme by the South Africa on the side-lines of the annual Investing in Africa Mining Indaba, and was attended by 37 participants representing industry, civil society and academic stakeholder networks. Three key themes are explored: the potential of incorporating environmental governance within local content initiatives; conversely, opportunities related to incorporating local content efforts into environmental governance programmes and systems, and finally, the question of how mining companies can work across the value chain, including with local partners, around managing GHG emissions across the mining value chain.

Environmental responsibility within local content value chains

With the increasing prevalence of regulations encouraging or compelling mining companies to make greater use of local goods and services, important questions around environmental compliance and accountability emerge. While national legal codes may differ in the extent to which they would hold a mining company accountable for poor environmental practice by local suppliers, this is an issue that extends

beyond legal compliance. If it emerged that a mining company was sourcing its products from local companies with dubious environmental records, or was working with local waste management companies that did not adhere to environmental regulations, this could have significant negative impacts on the mining company at community, national and international levels. Large (often multinational) mining companies generally have strong capacity to manage and monitor environmental impacts to ensure compliance with national laws; considering the reputational risk, including the local 'social license to operate', such companies therefore have both the capacity and the interest to work with local suppliers to ensure that suppliers in turn comply with environmental regulations.

Mining companies are increasingly specifying within their local procurement policies that local suppliers are expected to comply with national environmental regulations; while this is an important step, the greater opportunity lies in active dialogue and capacity building on these matters by incorporating environmental concerns into supplier development programmes. In regions where the environmental services sector is underdeveloped, such capacity building and supplier development practices can have significant impact on the broader economy by developing expertise and enterprises to deliver a range of environmental services. If such programmes are to be effectively implemented, efforts will be required to address internal communication and collaboration systems to overcome potential internal silos around teams engaged with supply chains, enterprise and community development, and environmental governance.

Local participation in environmental compliance and initiatives

Mining companies have a range of environmental responsibilities, ranging from impact assessment, monitoring, waste management and restoration/rehabilitation. There is potential to more actively engage with local communities and enterprises in meeting these environmental

governance responsibilities. Community Development Agreements (CDAs) are established between mining companies and local communities to promote positive contribution from mining projects for local development and to formalize the obligations of parties in this process. CDAs go by different names (e.g. Benefit Sharing Agreements, Impact Benefit Agreements, Indigenous Land Use Agreements and Social Responsibility Agreements) and typically cover issues such as local employment, training, local business development, and the shared use of infrastructure.¹ There is scope, however, to include cooperation around environmental monitoring and restoration within CDAs. In addition to developing skills and creating green jobs within local communities, such cooperation can contribute to building trust with local communities, who are typically highly dependent on ecosystem services to support farming and other livelihood strategies. Ecosystem protection and restoration, in particular, creates opportunities for broader community resilience in the face of climate and other pressures affecting local livelihoods. More broadly, there is potential for mining companies to work more closely with local communities and enterprises around circular economy and green infrastructure initiatives and programmes. The OECD has encouraged a stronger link between mining and the green economy, encouraging stakeholders to move beyond a compliance approach to environmental concerns in extractive industries. The OECD notes that “Public policies can impact the environmental performance of mining companies in ways that go beyond regulatory decisions. This includes supporting and formalising collaborative efforts on innovation, linking the mining sector to other segments of the economy, developing policies that ensure information transparency and active stakeholder consultation, and building capacity to ensure that the skills exist to tackle new roles in the green economy.”² Such an approach reframes the position of extractive industry operators within the economy and broader society, underscoring their potential to contribute to significant social, technological and economic transitions towards new models that promote sustainable development.

Carbon emissions within local mineral value chains

More than 90% of greenhouse gas (GHG) emissions in the mining sector stem from beyond the direct mining operations themselves. These ‘scope 3 emissions’, generated by upstream and downstream components of the mineral value chain, are central to the discussion of the mining sector’s response to climate change. A recent review has argued that only two of the ten largest global mining companies (Miners Freeport and Grupo Mexico) are aligned with limiting climate change to 2 °C below pre-industrial levels.³ While some mining multinationals have committed to substantially reducing scope 3 emissions, others have committed only to GHG reduction targets related to scope 1 and 2 emissions, which typically represent less than 10% of total emissions related to mining activities. Mining value chains for various metals and production processes (e.g. open cast or underground mining) differ markedly in the emissions of their value chains and opportunities available for reducing these. An important initial step, and one where significant progress remains to be made, is in measuring and mapping the GHG emissions across entire value chains. Such data will allow for efficient and evidence-based engagements with partners across the value chain around emission reductions. Standardised frameworks are required to effectively track progress, enhance accountability and support comparative analysis. At the moment, many companies do not publish even basic procurement data – while this may mean that detailed carbon accounting across the value chain of specific operations or across company operations remains a way off, it is important that efforts are made to improve reporting, initiate carbon accounting, and work towards standardised monitoring and reporting frameworks.

Conclusion

Some stakeholders have suggested that there is a risk in joining the local content and environmental governance agendas within the

minerals sector, in that local procurement efforts may lose their strong focus on socio-economic justice.⁴ This is not to suggest that environmental governance should not be prioritised, only that it should be separated from discussions around local content. As this briefing has attempted to show, however, there are many opportunities for mining companies to develop synergies in their local content and environmental governance efforts in ways that not only develop local economic opportunities and support environmental governance (e.g. developing environmental service enterprises), but can also contribute to building trust and strengthening the social license to operate. If these opportunities are to be realised, it is essential that environmental governance is seen as more than an issue of regulatory compliance and instead positioned within the broader context of community livelihoods and socio-technical transitions (green economy, circular economy) that support sustainable economies and societies.

Recommendations

- Regarding environmental governance, mining firms should look beyond compliance in terms of their direct operations – they have both the interest and capacity to incorporate environmental governance within local supplier development programmes.
- Mining companies have a range of environmental responsibilities, ranging from impact assessment, monitoring, waste management and restoration/rehabilitation. There is potential to more actively engage with local communities and enterprises in meeting these environmental governance responsibilities.
- Mining companies should strengthen efforts to work more closely with local communities and enterprises around circular economy and green

infrastructure initiatives and programmes.

- More than 90% of greenhouse gas (GHG) emissions in the mining sector stem from the procurement aspect of mining. These 'scope 3 emissions', generated by upstream and downstream components of the mineral value chain, are central to the discussion of the mining sector's response to climate change. Significant progress is required in measuring and mapping the GHG emissions across entire value chains and at the level of individual operations. Such data will allow for efficient and evidence-based engagements with partners across the value chain around emission reductions. Standardised frameworks are required to effectively track progress, enhance accountability and support comparative analysis.

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- ¹ UNDP. 2018. *Managing Mining for Sustainable Development: A sourcebook*.
<file:///C:/Users/Megan/Downloads/UNDP-MMFSD-HighResolution.pdf>
- ² OECD. 2019. *Mining and Green Growth in the EECCA Region (pre-publication version)*.
https://www.oecd.org/environment/outreach/20190413_Mining%20and%20Green%20Growth%20Final.pdf
- ³ Mining Weekly. 4 May 2020. *Big Miners Battle with Limiting Climate Change – TPI*.
https://www.miningweekly.com/article/big-miners-battle-with-limiting-climate-change---tpi-2020-05-04/rep_id:3650
- ⁴ Observations raised at the workshop *New Frontiers in Local Content: Environment and transparency*, hosted by the Konrad-Adenauer-Stiftung's Regional Programme for Energy Security and Climate Change in Sub-Saharan Africa, in partnership with the South African Institute of International Affairs, 2 February 2020, Cape Town, South Africa.



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