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Armed Conflict and Natural Resources: The Case of the Minerals Sector

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EXECUTIVE SUMMARY

Mining companies can cause or be affected by conflict, dramatically reducing the profitability of their operations, and negatively affecting the contribution of mineral wealth towards sustainable development. This paper maps out the linkages between mining and conflict.

Mining companies manage conflict based on an assessment of the nature of the conflict and the combatants; the firm's conflict management capacity; and its exposure to attacks upon its public reputation. Those firms with the greatest risk tolerances and lowest vulnerability to attacks on their reputations are also those more likely to become complicit in violence and human rights abuses. There is evidence, however, that firms who develop the capacity to engage in *proactive conflict management* - seeking to alleviate or resolve the sources of social tension – can maintain a competitive advantage against rivals with higher risk tolerances and lower reputational vulnerability.

In evaluating whether to invest in or divest from a conflicted situation, the key consideration is profitability: when the expected costs of political risks exceed the expected payoff of the project, the firm should not enter. Some firms – such as British Petroleum - believe the decision should also be based on the potential for the investment to make a positive contribution towards social stability, provided personnel are secure and their standard policies can be followed. A firm should be able to arrive at a definition of what constitutes a 'no go' zone – what is clearly unacceptable – based on dialogue with its stakeholders.

Once in a conflicted or potentially-conflicted situation, firms can target their interventions in order to address the linkages between their operations and conflict (see table, below). It is noted that different phases in the mining cycle – exploration, construction and closure – have a particular likelihood of sparking conflict due to the sudden and dramatic changes they represent in terms of immigration rates and financial inflows.

The greater a firm's direct involvement in the conflict, the greater its need to work in partnership with other businesses, civil society and international organisations, governments and community groups. The mining company must build trust through credible reporting and verification and through measures that sustain long-term development in the region. In many cases, natural resource access or quality may be the bone of contention most amenable to resolution. Conversely, peace-building may be wounded by a long history of exploitation that prevents the establishment of trust between traditional communities and the company. Factions within such communities often have divergent interests, and the presence of a mine often creates or exacerbates these divisions as a result of new social influences

Conflict is often the reason a firm chooses not to invest in a particular mining site, leaving the opportunity open to other firms with lower risk tolerances and reputational exposures. Companies with vulnerable reputations must therefore seek to lower the expected costs of conflict, and raise the costs to their competitors. They can achieve the first by improving their own conflict management capacity, and the second by seeking the establishment of international standards governing corporate responsibility and conflict.

Host governments can help reduce the likelihood of mining-related conflict through commitment to consistent application of social and environmental regulations, and through reinvestment of mineral royalties in social programs that benefit project-affected peoples.

The mining company's home country government can brief company staff on the political situation in the country and related concerns; work with other governments to set international standards for company conduct abroad; and partner with companies in development cooperation initiatives. In cases of suspected complicity in violence, governments can convene independent fact-finding missions. Negative measures, such as economic sanctions and 'naming and shaming' could be balanced with positive inducements such as tax incentives for community investment, or public accolade for exemplary conduct.

NGOs can monitor and 'sanction' the activities of companies, insurgents and governments; assess conflict situations and provide early warning and insight; convene adversarial parties in dialogue; and build community and company capacity for conflict management.

In conclusion, the risk of conflict is a prominent factor in international investment decisions, a threat to capital stock, to reputation, to share price and to personnel. Public relations campaigns, danger pay, insurance, and private security forces are the tools through which companies have managed this risk. Yet these are end-of-the-pipe approaches to political risk management. They do nothing to address the underlying roots of insecurity and of investment risk.

In the field of environmental management, proactive investments in pollution prevention and 'continual improvement' have often paid for themselves by reducing the costs of legal compliance. Proactive investment in community stability might also pay dividends by protecting a mine's 'social license to operate' more efficiently than the 'end-of-the-pipe' alternatives.

Linkages Between Mining and Conflict

Mining can cause conflict over:

- Control of the resource or resource-area
- Right to participate in decision-making and benefit-sharing
- Social and Environmental Impacts
- Means used to secure mining assets and personnel

Mining can also:

- Finance conflict
- Benefit from conflict
- Be targeted by conflict
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INTRODUCTION

Since the end of the Cold War the incidence of violent civil conflict has been on the upswing. This is especially the case in poorer countries, with the last decade seeing widespread civil violence in 15 of the world's 20 least developed nations[1]. Many of these nations are home to some of the most commercially desirable and under-exploited mineral veins. Unlocking these vast mineral reserves may be the key to relieving chronic poverty within these nations.

Mining is a 'frontier activity'. Unexploited mineral deposits are often located in politically unstable areas, where property rights are undefined, unenforced or contested. Mineral development may require entry into relatively undisturbed ecosystems, placing mining operations on a collision course with traditional and subsistence communities, and with media-savvy public interest campaigners[2].

A 2001 survey of the mining industry sought to identify the reasons companies refrained or withdrew from otherwise sound investments in the last 5 years[3]. Seventy-eight percent indicated that political instability – in particular, armed conflict - was a key factor in the decision.

Widespread violence disrupts markets and destroys infrastructure. Workers can be displaced or kidnapped and supply chains broken. Companies can face accusations of complicity in violence, of fuelling or even causing civil war. On the strength of such allegations, some firms have been publicly shamed and targeted with sanctions. They have faced popular protest, legal action, stock divestment campaigns and consumer boycotts. Yet other firms have played prominent positive roles in conflict prevention, conflict resolution and post-conflict reconstruction.

A recent Canadian poll measured the level of public trust in the mining industry below that of Big Tobacco, arguably driven in part by public allegations of corporate complicity in violence. The mining industry is thus faced with two challenges stemming from the growing incidence of violent conflict in connection with its operations: successfully managing the links between conflict and mining at the level of individual operations; and enhancing the collective reputation of the industry and its contribution to society.

Conflict represents a dynamic state of human interaction, when contending interests and values are ultimately reconciled, often by force-of-arms. Violent conflict, however, is contrary to the protection of human rights, undermines development efforts and destabilizes resource management and conservation regimes. The peaceful

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[1] *Human Development Report* (United Nations Development Programme, 2000), p. 36 and *World Development Report* (The World Bank, 2000), p. 170.
[2] Rosenfeld-Sweeting, A. and A. Clarke, *Lightening the Lode: A Guide to Responsible Large-Scale Mining* (Conservation International, 2000), p, 54.
[3] MMSD/PricewaterhouseCoopers Survey of the Mining Industry, (2001) mimeo.

and productive resolution of conflicts is thus a vital foundation for more-sustainable development.

This paper will seek to map the terrain between conflict and mining, focusing on the types of interventions that mining companies, governments and interested non-state actors can use proactively to prevent or resolve social tension.

CONFLICT AND MINING

What is Conflict ?

Conflict is the opposing action of incompatible or divergent ideas, interests, or persons[4]. Typically emerging from a complex mix of causal factors, conflicts are caused by insecure or inequitable access to resources, by competition between social groups for political power, or by incompatibilities between groups with distinct value systems. Throughout history, conflict has played a vital transformative role, as an opportunity for the redistribution of resources, the redefinition of political rights and the resolution of competing value-systems.

A conflict can be non-violent (as in the case of broad-based civil protest or legal challenge), latent (repressed under a dictatorial regime) or violent. It can take place at the local, regional, national or international level. It includes the fragile peace that exists after a period of open conflict, as well as the unstable peace that prevails before conflict emerges.

Researchers distinguish between three means for resolving these conflicts[5]: by reconciling disputants' basic interests, typically through negotiation; by adjudicating between rights, such as through a legal process; or by contests of relative power, through strikes or military force.

A conflict is significant for the purposes of this study if it affects or is affected by the activities of a mining or minerals-based operation.

Mineral Wealth as a Cause of Conflict or Source of Stability ?

It is unclear what role mineral exploitation plays in a country's susceptibility to collapse into violent conflict. Poverty is perhaps the leading source of conflict, and conflict entrenches poverty. Three-quarters of the 20 least developed countries have experienced civil conflict in the last decade[6]. Conversely, "peace is most commonly found, where economic growth and opportunities to share in that growth are broadly distributed."[7]

[4] Merriam-Webster's Collegiate Dictionary, online edition, 2001. http://www.britannica.com .
[5] Ury, W., J. Brett and S. Goldberg, *Getting Disputes Resolved* (San Francisco: Jossey-Bass Publishers, 1988)
[6] *Human Development Report* (UNDP, 1999).
[7] Carnegie Commission. Preventing Deadly Conflict: Executive Summary. (Washington: Carnegie Endowment for International Peace, 1997) p. xxxii.

A recent study by the World Bank indicates that "countries which have a substantial share of their income (GDP) coming from the export of primary commodities are dramatically more at risk of conflict," in particular during periods of economic decline[8]. Moreover, "in some cases, average per capita growth rates actually have been lower [in resource rich] than in resource poor developing countries, and some resource-rich developing countries remain among the world's poorest"[9].

Conflicts in Sierra Leone, the Congo and Nigeria demonstrate the absence of a critical factor needed to translate resource wealth into widely-shared peace and prosperity. While resource scarcity has often been a focus for environmental security research, it forms only one of the ecological sources of violent conflict. It follows that abundant valuable natural resources should provide the basis for peace, yet the opposite situation often applies in the presence of resource abundance.

Foreign Direct Investment in the minerals sector, and the resulting economic development, can diminish the likelihood of conflict. Yet the expected development gains from large-scale development projects often fail to materialize for the affected communities, thus exacerbating instead of reducing existing social tensions. Why is it that natural resource wealth often does not translate into a peaceful and prosperous society ?

Inequitable Distribution of Benefits and Consequences: This gap between natural resource wealth and social prosperity is often explained by the distribution of impacts and benefits. The World Commission on Dams concluded that "groups bearing the social and environmental costs and risks of large dams, especially the poor…are often not the same groups that receive…the social and economic benefits".[10] A 1998 IFC/World Bank assessment of four natural resource extraction projects in Colombia, Papua New Guinea and Venezuela concurred, stating that "frequently…national governments reap the most benefit from these projects, while social and environmental costs tend to be borne by local communities"[11]. This represents a failure to involve affected communities in decisions that affect them.

Over-Reliance on Single Commodity: In many instances, the large stream of income from a single natural resource, being extracted almost entirely for export, can distort investment, and leave the country's economy vulnerable to global commodity price fluctuations – actually constraining development[12]. In 1998, for example, the Asian financial crisis led to a 40% decline in Zambian copper sales, its primary export,

[8] Collier, P., *The Economic Causes of Civil Conflict and their Implications for Policy* (The World Bank, 2000), p. 7

[9] World Bank Group Activities in the Extractive Industries. World Bank Mining Department/Oil Gas and Chemicals Department, August 2001. Mimeo.

[10] World Commission on Dams. Dams and Development: A New Framework for Decisionmaking. Earthscan, 2001.

[11] McPhail, K. "How Oil, Gas and Mining Projects Can Contribute to Development". *Finance and Development*, (Washington: IMF, December 2000, Vol. 37, No. 4).

[12] Fafo, 2001, p. 10; see also Waelde, T., *International good governance and civilised conduct among the states of the Caspian Region: Oil & Gas as a lever for Prosperity or Conflict* (Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee, 2000).

nearly doubling that country's inflation rate[13]. This points to a failure to diversify, and to plan for a future in which the resource is depleted.

Sustain Regime Against Opposition and Fuel Corruption: Likewise, a non-democratic government's need to distribute economic benefits broadly in order to maintain social order may be reduced by revenue streams emerging from resource extraction, which can be used to reinforce the state's military capacity and 'buy off' the opposition. Likewise, wealth can be channeled from state coffers to private bank accounts through corrupt officials in non-transparent regimes. In spite of its oil wealth, for instance, Saudi Arabia's domestic debt exceeds its GDP. Nigeria made \$300 billion in oil revenues during the last 25 years, but 60% of its people live on less than \$2 a day[14].

Rent-Seeking by Armed Gangs: Finally, armed groups may seek revenue or individual wealth, through exploitation and sale of natural resources, and through extortion of 'protection' funds from companies in the region. The World Bank hypothesizes that in many cases, "rebellions either have the objective of natural resource predation, or are critically dependent on natural resource predation in order to pursue other objectives"[15].

The violence in Sierra Leone has been sustained by this country's readily accessible diamond wealth, which rebel groups have sold to international brokers to purchase arms and supplies[16]. Likewise, in the Democratic Republic of the Congo, the conflict is now driven by open competition for minerals and other easily looted resources. As a special assessment mission of the United Nations reported to the Security Council in 2001, "the conflict in the Democratic Republic of the Congo has become mainly about access, control and trade of five key mineral resources…Business has superseded security concerns. The only loser in this huge business venture is the Congolese people"[17].

In short, mineral production can reduce the likelihood of conflict through economic development. On the other hand, large-scale mining may contribute to conflict by creating grievances – inequitable distribution of impacts and benefits - that contribute to violent uprising. Moreover, it may provide a source of funds to sustain the oppression, fuel corruption, or to attract armed bandits seeking easy riches. This is the 'curse' of resource wealth. The following section distinguishes between the roles mining operations can play in conflict, providing illustrative examples.

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[13] Parris, B. Trade for development: Making the WTO work for the world's poor. World Vision, 1999:2.
[14] Onishi, N. with Banerjee, N. Chad's Wait for its Oil Riches May Be Long. In New York Times, 2001/05/16.
[15] Collier, ibid. p. 21.
[16] Global Witness, 2000.
[17] Report to UN Security Council, *The Role of Natural Resources in Conflict in the Democratic Republic of the Congo*, 2001.

Figure 1. Linkages Between Mining and Conflict

Mining can cause conflict over:

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Conflict can emerge over control of the resource or resource-area. An example of this may be the reported attempt by the Brazilian state mining company, CVRD, to evict a group of small-scale miners from a concession in Serra Leste. The local miners are alleged to have taken seven employees of the mining company hostage until their demands were met[18].

Similarly, in Suriname, conflict emerged between villagers and Golden Star Resources (GSR) over access to the region's gold reserves. According to a special assessment team assembled by the Organization of American States, "from the perspective of the small-scale miners…these deposits represent a lifetime of employment. From the perspective of GSR, however, …mak[ing] available parts of their concessions to small-scale miners may not be realistic from an economic perspective"[19]. Small-scale mining, however, represents one of a very few options for employment in the region for the poorly-educated locals.

Conflict is likewise possible in situations where control of the resource is under contest as a result of two incompatible uses. For example, development of a mine often closes off a substantial area to access by its traditional residents. In the case of uranium mining in northern Australia[20], a national park was proposed for establishment in the Alligator Rivers/Kakadu region in 1965, whereas a substantial body of uranium ore was discovered in 1969 in the same area. At this time, the issue of Aboriginal land claims to the region was also being raised. Competing, justifiable

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18 Rosenfeld-Sweeting, A. and A. Clarke, *Lightening the Lode: A Guide to Responsible Large-Scale Mining*, (Conservation Internationa, 2000), p. 54.

19 Unit for the Promotion of Democracy-Organization of American States. 'Natural Resources, Foreign Concessions and Land Rights: A Report on the Village of Nieuw Koffiekamp'. (Washington: OAS, 1997) p. 114.

20 Hitchcock, P., *Environment and Security in Australia: The Case of Kakadu National Park and Uranium Mining*, IUCN/IISD Task Force on Environment and Security, 2001, forthcoming.

and possibly incompatible uses of the same resource-space – a protected area, a uranium source, and the basis for practice of traditional livelihoods – have led to over 25 years of unresolved conflict.

Conflict can emerge over the right to participate in decision-making over management of a resource and to share in the benefits of its exploitation. It was reported that in Ecuador in 1997, several forest communities sought a meeting with the management of a mining subsidiary of Mitsubishi. The allegation was that they were concerned both by their lack of consultation in the establishment of the mine, and by the threat of deforestation, soil erosion and pollution of significant watersheds resulting from the mine. After apparently being rebuffed for 3 days by the mine's management, the community representatives are said to have removed valuable goods and equipment from the mine site, before burning what remained[21].

In Nigeria, militant youths took one hundred and sixty-five Shell staff members and contractors as hostages, seeking jobs as security personnel and catering staff as well as a £3,000 ransom. An agreement was reached to free the hostages, though the oil company refused the youths' demands for jobs[22].

Conflict can emerge as a result of the process of mineral production, whether due to environmental or social impacts. This presents a broad range of pathways to conflict. One is conflict resulting from environmental contamination affecting community health and livelihoods. Large-scale mining inevitably has a widespread impact on the landscape. Operations of the Panguna copper mine on the island of Bougainville in Papua New Guinea caused severe environmental problems, eliminating many traditional livelihoods. As a result of direct discharge of waste water into the Kawerong-Jaba river system, fish disappeared and local river waters became unfit to drink[23]. The mine was closed in 1989 in the midst of a series of violent attacks on its property, and the outbreak of a more-generalized rebellion.

A second pathway is conflict stemming from a rapid influx of workers – including with it competing ethnic groups, new diseases, and prostitution. The Panguna project, for example, employed 4,300 workers, largely not from Bougainville[24]. This benefiting of 'foreigners' at the expense of locals may have exacerbated secessionist tensions on the island, geographically part of the Solomon Islands though governed by New Guinea.

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[21] Ramos, I., 'Press release: Communities occupy Bishimetals mining installations – demand an end to mining project' *Accion Ecologica and South and Meso American Indian Rights Center (SAIIC)*. 16 May,1997.http://www.hartford-hwp.com/archives/42a/004.html.Also http://www.moles.org/ProjectUnderground/drillbits/970707/97070701.html

[22] Reuters (Lagos). 'Oil Workers Held Hostage in Nigeria, Then Freed'. June 27, 2001. http://news.excite.ca/news/r/010627/22/international-nigeria-kidnap-dc.

[23] See Ross, M. Natural Resources and Civil Conflict: Evidence from Case Studies, 2001 (draft cited with permission).

[24] Ross. Ibid.

A third is the unanticipated consequences of new infrastructure – roads and electricity, for example - on the environmental sources of livelihoods. In the Maya Biosphere Reserve in northern Guatemala, it was reported that the expansion of an oilfield and construction of a pipeline has contributed to an influx of colonists and an increase in slash and burn agriculture in the region[25]. According to the World Wildlife Fund, building roads into am intact forest can usher behind it an influx of alien plants and animals[26].

Mining can cause conflict as a result of the means used to secure mining assets and personnel in the face of an unstable social environment. For example, it was alleged that Planning Alliance, a private security firm, was hired by the South African company Goldfields Ghana to relocate more than 20,000 people in western Ghana. Goldfields was accused of levelling houses and schools, and forbidding the cultivation of fields, even where communities refused to accept the relocation terms proposed. One source reports that as a result, violent confrontations broke out, and people were killed[27].

Natural resource extraction can finance – whether directly or indirectly – the repressive efforts of one group against another.

In 1999, it was alleged that South African "mining tycoon" Billy Rautenbach was bankrolling the Kabila government's side in the war in the Democratic Republic of the Congo. Rautenbach was accused by the South African government of siphoning profits from exploitation of Congolese cobalt and copper mining to reimburse the Mugabe government for Zimbabwe's involvement in the Congo war[28].

Though not a mining case, the example of allegations against Talisman Energy in the Sudan are illustrative. It is alleged that the oil company is directly complicit in the conflict, by letting government forces use the company's airstrip from which to launch raids. Talisman is also accused of indirect complicity, by which is alleged that the oil revenues it generates for the government are being used to finance military operations and purchases in support of the war effort[29].

Companies in the extractive industry sector can also benefit from a conflict situation. It was recently reported that Lundin Oil, a Swedish oil company, was granted an oil concession in southern Sudan. Allegedly, in order to guarantee the safety of the oil company's operations and clear area for a road to the concession, the

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[25] Rosenfeld-Sweeting, A. and A. Clarke. p. 24
[26] Mineral Policy Institute. Foreign Investment in the Asia-Pacific Mining Sector. Draft Report. (Gland: WWF International, 1999) p.40.
[27] See 'Memorandum Submitted To The Special Rapporteur On The Use Of Mercenaries Of The Human Rights Commission Of The United Nations', 2000.
http://www.miningwatch.ca/documents/Memorandum-final.pdf
[28] Powell, I. 'Rautenbach's Congo War Role behind Fraud Squad Raid'. Daily Mail and Guardian. Johannesburg: November 26, 1999. http://www.mg.co.za/mg/news/99nov2/26nov-rautenbach.html.
[29] Harker, J., *Human Security in the Sudan: The Report of a Canadian Assessment Mission*, (DFAIT, 2000).

government waged a 'scorched earth' campaign against the local communities, whom were forcibly evicted and their villages razed[30].

Natural resource extraction can be a target of conflict. Combatants may target companies in order to gain indirect access to political decisionmakers. Because of their scale and degree of economic importance, mining companies represent a lever by which otherwise-marginalized communities can gain a political voice, and make themselves heard by remote or uninterested government decision makers. Anti-Indonesian sentiment in Irian Jaya was already strong when the Freeport-McMoran copper mine began operation in 1967. It was not until 1977, however, that anti-Indonesian insurgents moved to the minesite area and began to target mine equipment and personnel[31].

Mining supplies minerals that are used by others who profit through conflict. Mining and resulting minerals form a key component of the supply chains for arms manufacturers. The increasing attention directed towards their supply chains by socially-responsible large manufacturers may turn to suppliers implicated in conflict. Placing such conditions on suppliers has wide precedent. Several leading companies – General Motors, Toyota and Ford among others – have recently required their suppliers to adopt environmental management systems consistent with the ISO 14001 standard[32].

Mining for coltan (colombo tantalite) in the Democratic Republic of Congo is alleged to be fueling the conflict there, as well as threatening World Heritage class protected areas and endangered elephants and gorillas in the region[33]. Coltan is a valuable hardening agent used for metals needed in microchip manufacture. The World Conservation Union, a prominent international NGO, has called upon multinational companies in North America and Europe to ensure that the coltan they purchase does not come from these sites in the DRC.

Different Risks at Different Times

The mining cycle has three distinct phases – Exploration and Development, Operation, and Closure and Reclamation. Each involves distinct activities with different vulnerabilities to, and likelihood of, sparking conflict. **Exploration** – which in later stages involves in-the-field sampling – is typically a high-risk endeavour involving the acquisition, preliminary assessment and then development of particular sites. As exploration often requires covering a fairly broad geographic area, and

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30 The Editor, 'Wanted: A Sudan Policy', *The Washington Post*, Friday, 16 March 2001, p. A20.
31 Ross, M. Ibid. p. 23.
32 See E-Wire. "Ford Becomes First U.S. Automaker to Require Suppliers To Achieve ISO 14001 Certification". Sept. 21, 1999. http://ens.lycos.com/e-wire/Sept99/21Sept9901.html and E-Wire. "General Motors Sets New Level of Environmental Performance for Suppliers", Sept. 21, 1999. http://ens.lycos.com/e-wire/Sept99/21Sept9902.html .
33 IUCN. 'Coltan Mining threatens World Heritage Sites in the DRC'. (Gland: World Conservation Union, March 27, 2001). http://www.iucn.org/info_and_news/press/coltan.html

creation of access roads, it can create a broad range of impacts and disruptions, including an influx of new settlers[34].

Construction of the infrastructure, power and water sources required for large-scale mining is the first major and visible consequence of the mining cycle. The number of construction workers brought in to a region exceed the long-term mining staff, and these short-term staff have comparatively less incentive to maintain good relations with the local communities than the mine operators. For example, the Panguna mine on Bougainville (PNG) caused a massive influx of construction workers, an estimated 10,000 workers at a time when the island's population was only 80,000 people[35]. Likewise, the land clearing, construction of access roads and diversion of rivers to feed hydroelectric dams can – in and of themselves – be sources of conflict with local communities.

Closure can create conflicts related to long-term waste storage as well as the economic impacts of the withdrawal of the mining operation[36]. In 1992, closure and remedial action for the Summitville gold mine in Colorado was left in the hands of the American government, when the mining company declared itself bankrupt. The US Geological Survey reported that the remediation of the Summitville site in the wake of the cyanide-intensive gold mining practiced there will cost the US government between US$100-120 Million[37].

MINING AND CONFLICT MANAGEMENT

A manager faced with a conflicted, or potentially conflicted situation, may advise her company not to enter into the investment, or to divest from an existing investment (Go-No Go). She might advise the company to seek to avoid making things worse (Crisis Management), or she can argue that the company should seek to prevent or resolve the conflict (Proactive Conflict Management).

A fourth option would be to seek to give the impression of either mitigating or proactively managing conflict issues, while investing in a public relations exercise designed to reassure international observers of exemplary behaviour. Talisman Energy is an oil company accused of complicity in ethnic cleansing in the Sudan. It has been derided by critics for its community investment efforts, which "look very feeble indeed"[38]. Machiavelli aside, it seems unlikely that such a strategy would be successful over the long-term for a firm under intensive scrutiny by a mobilized international activist campaign informed by local observers.

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[34] Rosenfeld-Sweeting and Clark, *op.cit*., pp. 22 and 79-80.
[35] Ross, M. Ibid. p. 24.
[36] Rosenfeld-Sweeting and Clark, *op.cit*., pp. 60 and 79
[37] Unit for the Promotion of Democracy-Organization of American States, ibid. p. 11.
[38] See, for example, Christian Aid, *The Scorched Earth: Oil and War in Sudan*, 2001.

The decision as to the appropriate strategy for the management of conflict will be based on an assessment of the *causes, nature and stage of the conflict*; the firm's *relationship to the various actors* and the firm's *conflict management capacity*, its *financial and ownership structure* and *exposure to attacks upon its public reputation*[39].

It has been noted elsewhere that "for corporate re-evaluating the way they conduct operations in a conflict zone, a pivotal question will be: 'how costly will it be to adopt a conflict management strategy?'"[40]. Costs of a more-proactive strategy must be balanced against those of the other options, and include:

- Direct costs of implementing new management practices (conflict impact assessments, fiscal transparency, supply chain monitoring, context-sensitive hiring practices).
- Relative additional costs compared to less-proactive rivals (who may free-ride to a certain extent on their proactive efforts).
- Obtaining organizational buy-in at the operational and senior management levels

Figure 2. Some of the factors affecting a mining company's strategy for managing conflict[41]

External

- **Nature of Conflict:** the causes and stage of the conflict, its geographic proximity and severity, and the degree to which the firm's staff and assets are targeted by combatants; and the international response (no action, condemnation, sanctions, military intervention).

- **Nature of Relevant Actors:** the relationship between the firm and the factions involved in the conflict; the nature of the tactics employed by the combatants; the likelihood of resolution.

Internal

- **Firm's Management Capacity:** Past history and knowledge of the region, risk tolerance and capacity to manage the given situation (past experience in similar situations).

- **Firm's Reputational Exposure**

- **Firm's Financial and Ownership Structure:** Exposure to future litigation (large OECD-based multinational vs. smaller regionally-based firm). Degree of investment already made and cost of capital; other financial sources; Risk coverage (insurance availability); Publicly-held stock vs. privately owned; partner vs. sub-contractor; sole operator vs. consortium member with other firms or governments.

[39] See 'A Summary of Key Questions for Analysing Corporate Engagement in Conflict' in Nelson, J. 'The Business of Peace'. (London: PWBLF/IA/CEP, 2000). p. 60.
[40] Fafo, *op.cit.*, p. 11.
[41] Nelson, J., *op.cit.,* pp. 59-62.; Fafo, *op.cit.,* p. 9.

The Risks Associated with Conflict

Conflict is a risky prospect for mining operations. Recent high-profile controversies have linked the mining industry to civil strife, sparking widespread outrage. The international diamond industry has been called to task for its alleged complicity in the Sierra Leone violence, and has massively reorganized itself as a result. Likewise, the role of illegal mining in financing the Congo "genocide"[42] has been the subject of high-profile condemnation by the United Nations Security Council[43]. Some of the risks posed by conflict are listed below.

Figure 3. Risks of Conflict to Mining Companies[44]

Incidental and intentional destruction of physical assets and supporting infrastructure
Kidnapping and loss-of-life among employees, their families and support staff
Protection payments to armed factions
Private security
Increased of cost of capital and insurance
Loss of productivity and disruption of work hours
Increasing levels of 'danger pay'
Disruption of supply chains, energy supplies and trade links (including as a result of international sanctions).
Litigation and reputation costs
Government change and nationalization of private assets, or change in contractual terms
Loss of downstream customer contracts as a result of targeted boycotts and changing market conditions

Other pressures that may affect the profitability of a mining operation as a result of conflict include:

- The emergence of social performance conditions for access to finance.
- Social standards and environmental management systems being forced up the supply chain by downstream customers.
- Internal pressures from employees and stockholders[45].

On the horizon, international norms for behaviour by companies in conflict are moving from the realm of 'soft law' enforced by strategies of 'naming and shaming' by countries and advocacy groups, towards 'hard law' enforced by national courts and potentially by an emerging international legal system[46].

42 'Africa Heads Towards New Genocide', *Guardian*, 15 September 1998.
43 Report to UN Security Council, *The Role of Natural Resources in Conflict in the Democratic Republic of the Congo*, 2001.
44 Nelson, J., *op.cit.,* pp. 20-26.
45 Watts and Holme, *op.cit.*, p. 4.
46 Petraski, D., *Business wrongs and rights: human rights and the developing international legal obligations of companies (DRAFT)*, 2001. http://www.international-council.org/.

Go / No Go ?

When should a firm divest, or refuse to invest ? Conceptually, the first screen is profitability. When the expected costs of political risks exceed the expected payoff of the project, the firm should not enter. This, however, requires subjective determination of the probabilities of the likely risks. Firms with a lower degree of reputation exposure or a greater risk tolerance will choose to enter where others will not. Likewise, a firm's internal incentive structure may reward staff members who downplay political risks or who overstate a firm's conflict management capacity, biasing decisions in favour of investment.

Many firms believe such decisions should be based instead on the potential for their investment to make a positive contribution towards social stability, provided personnel and policies are secure. "British Petroleum's policy on withdrawal or staying in is that it will try to stay in a country and play a positive role, except in situations where:

- Its ability to maintain the safety and security of its staff is compromised; and
- It becomes impossible to operate in accordance with the company's business policies."[47]

Shell International states on its website that it is committed to the country in which it works, and not necessarily to the current government. That said, "[Shell] will no longer form joint ventures where partners decline to adopt business principles compatible with ours. One of our dilemmas is how to deal with existing joint ventures where partners currently reject such principles, or fail to implement them"[48].

From 1996-99, Shell and Mobil engaged in a $250 million assessment of the economic, environmental and social aspects of gas field development and transfer by pipeline through Amazonian rainforest in the Camisea region in Peru. The project was long the target of activist opposition, due both to the region's biodiversity and presence of traditional communities. Ultimately, the partners decided to abandon the project, at least in part because stakeholder dialogue failed to mollify the opposition.

A firm should be able to arrive at a definition of what constitutes a 'no go' zone – what is clearly unacceptable – based on dialogue with its stakeholders. According to experts in dispute resolution, "stakeholder dialogue…can identify and anticipate potential problems before they even arise…[and] build working relationships through a partnering process"[49]. That said, such assessment will likely need to be on a case-by-case basis, given the different perspectives on the issues, and the evolution of public sentiment over time.

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[47] Nelson, J. Ibid. p. 77.
[48] Shell International. "Our approach to operating in politically sensitive regions". 2001. http://www.shell.com/royal-en/content/0,5028,25547-51061,00.html .
[49] Environment Council. Guidelines for Stakeholder Dialogue. 1999.

Nearly all would agree, for example, that complicity with a genocidal regime constitutes a clear 'no go'. On the other hand, in South Africa during apartheid, many firms chose to remain even as others divested, and can justify their presence today arguing that their efforts helped to foster the peaceful transition to a multiracial democracy[50].

In deciding to 'go', firms must bear in mind that they open themselves to controversy. "By leaving or threatening to leave, business sends a signal to the combatants that they should end the conflict if they want economic growth"[51]. By contrast, companies that stay invested without actively promoting peace may send a message that violence is tolerable[52].

Conflict may emerge over the lifetime of a mine, even though the situation was initially peaceful. In such cases, a firm must assess whether to divest or not. Should it stay, its activities will necessarily be circumscribed. International Alert recommends "the responsible management of security arrangements; support for humanitarian efforts; engagement in efforts at conflict resolution, and on-going commitment to development projects"[53].

Given the particular nature of the mining industry – a limited number of good mineral sources, long production cycles and potentially vast returns on investment[54]- a firm may find that the costs of divesture would bankrupt it, or that the potential benefits of staying in are too high to pass up. As a result, firms are faced with the challenge of weathering the storm.

Crisis Management vs. Proactive Conflict Management

Systematic management of risks typically involves a set of activities to reduce the costs should an adverse event occur, to shift the costs to other parties and to reduce the likelihood of adverse event itself. In managing the risk of oil spilling from its supertanker, for example, a firm would: prepare a rapid-response clean-up team; purchase insurance against the event happening, and double-hull the tanker.

The equivalent approach to conflict would involve a portfolio of strategies designed to:

- *Reduce the impacts of adverse events* – kidnapping of personnel, destruction of property, public naming and shaming – by hiring the services of a professional security firm, establishing a public relations strategy or building walls around its operations;

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[50] Nelson, J. Ibid. p. 112.
[51] Haufler, V., *Is There a Role for Business in Conflict Management?* (University of Maryland, 2000).
[52] Haufler, V. ibid.
[53] Nelson, J. ibid. p. 46.
[54] Sherman, J., *ibid.*, p. 4

- *Share the costs of adverse events* by maintaining political risk insurance or partnering with the host government or an international financial institution such as the World Bank.
- *Reduce the risk of adverse events* by identifying, reducing and resolving the sources of social tension that lead to conflict.

Crisis management can be distinguished from proactive conflict management based on the degree of responsibility a firm takes for sources of conflict unrelated to its own operation. *Crisis Management* is an approach to conflict centred on the firm's activities, in which a company tries to operate without making things worse. 'Complicity' in conflict means to profit from, support or cause conflict. A mining firm engaged in crisis management will therefore seek to avoid profiting from, supporting or directly causing the conflict. Seeking to alleviate or resolve the sources of social tension, even where these do not directly result from the mining company's operations, is *Proactive Conflict Management*. There is no clearly-defined border separating the two approaches.

While crisis management has often been employed, it is only in recent years that companies have recognized the potential payoff from engaging in proactive conflict management. According to International Alert and the International Business Leaders' Forum, "there is an economic benefit [for companies] in resolving violent conflicts and preferably preventing them from happening in the first place".

Companies who succeed in enhancing their proactive conflict management capacity should be able to manage conflict at a lower marginal cost than their competitors. For example, Placer Dome needed to protect nearly 70 km of electrical cables providing its Porgera mine site in Papua New Guinea with power[55]. Guarding the whole length of the electricity supply network was impractical. Ultimately, through attention to community interests, Placer Dome was better able to ensure security of the power supply than would have been possible through private security forces.

Several firms have recognized this opportunity for competitive advantage, and are engaging with human rights and peace-building organizations in the development of tools for proactive engagement in conflict management, often in partnership with governments or intergovernmental organizations like the World Bank[56].

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[55] Fraser, D. MMSD Experts Workshop on Armed Conflict and Natural Resources: The Case of the Minerals Sector. July 11 2001.

[56] See, for example, the seminal work by the leader in this field, International Alert, with the Council on Economic Priorities and the Prince of Wales International Business Leaders' Forum; as well as the World Bank/UK DFID project on Business Partnerships for Development, in collaboration with various non-governmental groups and corporations. The United Nations Global Compact, a tripartite partnership between the UN, NGOs and companies, recently held a dialogue on business and conflict (March 2001). Human Rights Watch and Global Witness have both been the leaders in identifying and publicizing the links between human rights violations, conflict and private sector activity. Among academics, Virginia Haufler at the University of Maryland and Marina Ottaway at the Carnegie Endowment for International Peace have also written compellingly on this issue, while the London School of Economics has recently established a research program on Oil and Conflict.

So how do mining companies proactively manage conflict?

TOWARDS PROACTIVE CONFLICT MANAGEMENT

Different strategies are called for before, during and after conflict. In terms of degrees of proactive engagement required, a firm can seek to[57]:

- Correctly manage the side effects of its business decisions
- Support conflict management activities by others
- Participate in conflict management activities by others
- Identify and mitigate the sources of conflict itself

Proactive conflict management interventions include[58]:

- *Information gathering and sharing*, such as through social and environmental impact assessment; stakeholder identification and empowerment, or sponsorship of fact-finding missions;

- *Diplomatic intervention*, through mediation, dialogue and appeal to outside diplomatic efforts

- *Provision of incentives and negative sanctions* to the various actors, such as through investment, capacity building, and threat of divesting.

- *Direct intervention* in conflict, such as by putting private forces on the ground to preserve the peace.

Mining companies can target their interventions to address the linkages between their operations and conflict, as illustrated in Figure 4, below.

Figure 4. Linkages Between Mining and Conflict, and Possible Interventions

Mining can cause conflict over	Proactive Conflict Management Interventions
Control of the resource or resource-area	Establish systems for determining whether to invest substantially, and if already invested, for determining whether to divest; Stakeholder analysis and empowerment; Community dialogue; Mitigation activities.
Right to participate in decision-making and benefit-sharing	Participatory processes to determine allocation of benefits. Community development planning. Advocacy on behalf of affected population.
Social and Environmental Impacts	Assess Social and Environmental Impacts; Minimize and mitigate.
Means used to secure assets and personnel	Establish principles for contracting private security firms; Adopt best practice codes.

[57] Haufler, *op.cit*., 2001.
[58] Haufler, *op.cit*., 2001.

Mining can also:	Proactive Conflict Management Interventions
Finance conflict	Adopt transparent accounting practices; Work with partners to establish development trusts designed to channel mining revenues to local communities.
Benefit from conflict	Establish tracking systems, standards and certification structures, to ensure that minerals obtained through complicity in violent conflict are disfavoured on market.
Be targeted by conflict	Work with disenfranchised communities to help them establish their political rights.
Be a supplier to those who profit from conflict	Assess downstream customers to determine their relevance to conflict situations, and their likelihood of experiencing boycotts and other pressures.

Some examples of proactive engagement in conflict prevention:

- *Help Communities Establish Political Rights*. Mining company WMC has worked with indigenous communities in the region of the Tampakan prospect, on the island of Mindanao in the Philippines, to obtain official recognition of their indigenous status from their government, as a basis for royalty payments and legal protection of their ancestral domains[59].

- *Share control of the Resource Area and Enhance Livelihood Opportunities*. In order to head off confrontation between its staff and artisanal miners in the Las Cristinas prospect area in southern Venezuela, Placer Dome has allocated a tract of the concession to the local miners, also providing training in mining techniques and business management[60].

- *Address environmental sources of conflict.* Talisman Energy in civil war-torn Sudan has responded to NGO, UN and government pressure by helping alleviate water pressures in the region. The company is working in partnership to survey water needs and develop community wells. It is also providing residents with conflict resolution training[61].

- *Eliminate revenue streams that support violence.* "Most of the international markets in commodities are, at some point along the marketing chain, fairly narrow…[M]arkets can usually identify the origin of the commodity in the process of determining its quality"[62]. The successful establishment of a 'conflict diamond' certification scheme depended on a bottleneck in the marketing chain (the near-monopoly power of DeBeers as buyer of uncut diamonds), physical characteristics of diamonds that facilitate determination of origin, and retail consumer demand for diamonds that did not contribute to war.

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59 McPhail and Davy, *op.cit*., p. 15.
60 McPhail and Davy, *op.cit.,* p. 16.
61 Rosenfeld-Sweeting and Clark, *op.cit*., p. 46.
62 Collier, P. ibid. p. 16.

- *Develop common standards of practice for security*. Security forces are often the major point of contact – and therefore friction - between communities and companies. These forces include the police, the military and private security firms hired by the mining companies. In all cases, training is essential to ensure respect of community concerns. In January 2001, a group of oil and mining companies, NGOs and the governments of the US and UK established common principles, albeit voluntary, for business to use in "maintaining the safety and security of their operations within a framework that ensures respect for human rights and fundamental freedoms"[63].

- *Build bridges between communities and employees*. Walls and security forces typically shield resident employees from crime and violence. They also create mistrust and resentment with local communities. In order to limit migration to a region and deliver maximum community benefit, mining companies can give preferential hiring treatment and training to local people. In 1977, the PT Inco Indonesia nickel mine committed to making its workforce entirely Indonesian. In 1997, only 5 of its 3,000-person strong staff were from outside Indonesia[64]. In some of its sites, Placer Dome has worked on bringing local communities together with mine employees through sporting events[65].

Proactive Conflict Management under a Repressive or Corrupt Regime
(International Alert, 2000)

1. Review the ways the company's core business activities (including supply and distribution chains), social investments and policy dialogue efforts can cause, or help to alleviate conflict.
2. Operate according to internationally-accepted guidelines, such as the Universal Declaration of Human Rights.
3. Report on and seek independent verification of the company's conflict management practices.
4. Support the development of civil society through social investment.
5. Support human rights training for local judiciaries, police forces and state security forces.
6. Collaborate with other companies in efforts to address politically sensitive issues of bad governance, e.g. corruption, human rights violations, state security reform.
7. Assess the value and risks of dialogue with anti-government groups.

[63] 'Guarding Human Rights in Conflict Zones', *International Herald Tribune*, 25 January 2001 (sponsored section).
[64] Rosenfeld-Sweeting and Clark, *op.cit*., p. 60.
[65] Fraser, D. MMSD Workshop on Conflict, 2001.

RECOMMENDATIONS FOR MINING COMPANIES

Establish Legitimacy through Partnership. The legitimacy, accountability and effectiveness of sticking a corporate nose in the affairs of a conflicted society are controversial issues. A company's participation in the prevention or resolution of violent conflict is necessarily limited by the duration of the company's operations in the area. Moreover, companies may be good at building value, but are they good at making peace? In spite of their best efforts in proactive conflict management, firms may still be seen as complicit in the violence, as long as they continue to operate in a particular region.

Misplaced intervention can also draw unwanted attention to the company, both locally and internationally. It can make a bad situation worse. And the more direct a company's engagement in the conflict, the greater the risk to its reputation and personnel.

On the other hand, corporate financial and managerial capacity often outstrips that of the state in which it is operating, and firms can sometimes act far more decisively – and effectively - than official multilateral organizations.

The greater a firm's direct involvement in the conflict, therefore, the greater the need to work in partnership with other businesses, civil society and international organisations, governments and community groups. Otherwise, the firm will face challenges in regard to its legitimacy in tampering with a country's domestic affairs, and in regards to its limited know-how in addressing complex community development and political affairs.

Build Trust through Credible Reporting and Verification. Trust is established by keeping promises[66]. Mining companies must also assess how best to design interventions, and to communicate efforts sincerely, with all sides of the conflict and with the broader public. Assuring outsiders that the firm is 'doing what it claims to be doing' may require third-party verification of social impact and investment reports.

Ensure Long-term Development. Mining is by its nature a finite activity, and often in regions too remote to easily be connected to the economy. Mine closure will often lead to economic collapse in the region. Moreover, traditional communities and their landscape may be so changed that it is impossible for them to go back to their pre-mine livelihoods once. In such cases, it is vital that closure planning be integrated into

[66] Nash, J. and Ehrenfeld, J., 'Building Trust And Legitimacy: An Assessment of Changes Brought about by Responsible Care', MIT Forum on Chemicals and Society: *A New Look at Persistent Concerns*, 11-12 June 1998.

the earliest stages of mine design and operation. In Nauru[67], for example, phosphate mining – accounting for as much as 99% of the economic activity on the island - has stripped 80% of the island's topsoil and vegetation. As early as the 1980s, the government began investing phosphate profits into a long-term trust fund to support the island once the mineral is exhausted. Today that fund is valued at between $500 million and $1 billion.

Build Peace through Shared Interests. A company needs to be strategic in identifying those areas of intervention least likely to deepen social cleavages. In many cases of conflict, access to or quality of natural resources may be the bone of contention most amenable to resolution. One of the conclusions of the World Conservation Union's Task Force on Environment and Security is that common environmental interests can bring disputants together in dialogue and collaborative problem solving.

Pay Attention to History. Mining has a long association with exploitation in many countries, and in particular among certain indigenous communities. In Suriname in the mid 1960's, for example, several thousand Saramacca and Aucaner Maroon people were displaced from lands given to them under 18th and 19th century treaties, as a result of the construction of a dam, and resettled in transmigration settlements with little compensation. The inhabitants of one such settlement, Nieuw Koffiekamp, are facing relocation again as a result of the discovery of gold in the region, and have waged strong protest as a result[68]. A history of exploitation wounds the capability of establishing trust between the community and the company.

Keep Pace with an Evolving Context. In situations where firms are seeking to negotiate with indigenous and traditional groups, it is frequently the case that such groups are not monolithic. Factions within such communities often have different interests, and the presence of the mine often creates or exacerbates these divisions as a result of new social influences[69]. Moreover, community expectations of wealth stemming from the presence of a mine are often unrealised. One of the principal challenges facing a firm is therefore the flexible and evolving nature of community 'consent' and the need to build mechanisms for mutual understanding, review and revision into negotiated agreements.

Try to Level the Playing Field. Conflict is often the reason a firm chooses not to invest in a particular mining site. By not entering a site, that firm leaves it open to other firms with different risk tolerances and reputation exposures. Those firms with the greatest risk tolerances and lowest reputation exposures are also those more likely to become complicit in violence and human rights abuses. And the least likely to engage with communities in a dialogue aimed at ensuring an equitable distribution of benefits from mining. That said, such firms must still raise funds on capital markets, and are therefore open to scrutiny for their practices.

[67] Matthew, R. and Gaulin, T. 'Conflict or Cooperation ? The Social and Political Impacts of resource Scarcity on Small Island States'. 2001, mimeo.
[68] Rosenfeld-Sweeting and Clark, *op.cit.*, p. 46.
[69] Lind, J., African Centre for Technology Studies, 1999.

Companies with vulnerable reputations must therefore lower their costs and raise those of their competitors. First, they should seek to develop their capacity for managing conflict in order to reduce the expected likelihood and costs of violence associated with their operations, by developing internal management systems and bringing in appropriate expertise. Second, exploiting the resulting cost advantage, they should advocate for the establishment of international standards addressing the links between mining and conflict.

The chemical industry, for example, suffered both a reputation crisis and a management failure in the late 1980s in the wake of the Bhopal incident, where the accidental release of a toxic chemical in 1984 killed and injured thousands of people. The Chemical Manufacturers Association responded in 1988 with the creation of "Responsible Care", a set of "principles and codes exemplify[ing] the attributes of taking responsibility for unintended consequences and caring for people in the workplace and community", and a requirement for membership in the association[70]. Responsible Care has succeeded in preventing the major catastrophic events associated with the chemical industry only a few years ago[71], and in raising the costs for those chemicals manufacturers who have not been leaders in developing their own community and environmental management processes.

RECOMMENDATIONS FOR OTHER ACTORS

Host governments can help reduce the likelihood of conflict through numerous pathways, including through commitment to consistent application of social and environmental regulations, and to reinvestment of mineral royalties in social programs that benefit project-affected peoples. Inadequate public information or consultation, discriminatory or unclear land tenure policies, and inconsistent or insufficient policies to address population migration towards a mining site, can all contribute to the emergence of conflict as a result of mining.

The mining company's home country government can provide a range of incentives and disincentives to the company, and complementary assistance to the home government and project-affected communities. Activities could include: briefing company staff on the political situation in the country and related concerns; working with other governments to set international standards for company conduct abroad; and partnering with companies in development cooperation initiatives. In cases of suspected complicity in violence, governments can convene independent fact-finding missions – such as the Canadian investigation of the activities of Talisman Energy in the Sudan. Negative measures, such as economic sanctions and 'naming and shaming' could be balanced with positive inducements such as tax incentives for community investment, or public accolade for exemplary conduct.

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[70]Nash, J. and Ehrenfeld, J., 'Building Trust And Legitimacy: An Assessment of Changes Brought about by Responsible Care', MIT Forum on Chemicals and Society: *A New Look at Persistent Concerns*, 11-12 June 1998.
[71] Nash, J. and Ehrenfeld, J., *op.cit*., 1998.

Non-Governmental Organisations engaged in research and advocacy in support of human rights, environmental protection, peace and humanitarian assistance, can monitor and 'sanction' the activities of companies, insurgents and governments; assess conflict situations and provide early warning and insight; convene adversarial parties in dialogue; and build community and company capacity for conflict management.

PRO-ACTIVISM PAYS

The study of the intersections between mining and conflict yield few definitive answers to the complex decisions facing managers in the industry today. Globalization is placing unprecedented demands on the industry. Mining companies are increasingly under scrutiny for the practices of subsidiaries far from head office control, by a mobilized international network of activists, armed with the latest communications technologies. Likewise, companies are being called upon more and more to incorporate additional costs in the provision of public goods – environmental protection, community service, development – under the vast rubric of 'corporate social responsibility'. This all, at a time when profit margins are shrinking as a result of global competition.

The risk of conflict is a prominent factor in international investment decisions, a threat to capital stock, to reputation, to share price and to personnel. Public relations campaigns, danger pay, insurance, and private security forces are the tools through which companies have managed this risk. Yet these are end-of-the-pipe approaches to political risk management. They do nothing to address the underlying roots of insecurity and of investment risk.

In the field of environmental management, proactive investments in pollution prevention and 'continual improvement' have often paid for themselves by reducing the costs of legal compliance. Proactive investment in community stability might also pay dividends by protecting a mine's 'social license to operate' more efficiently than the 'end-of-the-pipe' alternatives.