

Implementation of Sustainable Development

Knowledge Core

If extractives-based development is to fulfil its promise, and become a springboard for industrialization and economic diversification, it needs to create not only jobs but forward and backward linkages. The first can involve various kinds of ‘local content’ measures, while the second can involve processing and use of the resource to benefit local industry. Infrastructure provision can be a central component in countries where such infrastructure is weak or absent.

This is part of a ‘bigger picture’ approach to extractives investments that also requires a strategic consideration of environmental and social interventions. Areas rich in biodiversity and vulnerable and marginalized communities need to be integrated into the overall planning of resource development.

Essentially, extractives-led investment is a transformation of one class of assets – finite, non-renewable natural capital in the form of oil, gas or minerals – into other forms of capital such as financial, human or physical assets and to create more sustainable opportunities. This process should trigger the kind of economic and social development that generates wider effects and proves sustainable beyond the horizon set by the resources themselves. In this process the extractives companies can be seen as ‘development partners’, especially for countries where development and poverty reduction are most urgent. *Such development, however, needs to be managed in ways that minimize any negative environmental and social impacts and maximize benefits in these areas.* If not, citizens will increasingly see extractives development as a Faustian bargain in which the gains prove temporary and unsustainable, while the costs and dependence on the EI sectors mount.

Two key challenges To achieve development that is sustainable, policies need to be designed that are aimed to

- (1) produce clear and lasting local benefits from EI activities even though the exact duration of benefits will always be unknown; and
- (2) address in a comprehensive or integrated way the potential and actual impacts on environment and society.

Cross-cutting The challenges of sustainability arise at *all* stages of extractives operations, from the activities examined in the first chevron in **Chapter 4** of the *Source Book* to those analysed under the fourth chevron in **Chapter 7**. It is quite wrong and contrary to current good practice to view sustainability policies as ones that can be left to a later stage once governments have excess capital at their disposal. Policies need to be thought through and designed at the very outset to address these challenges, and to be capable of evolving as development unfolds.

Research into Sustainable Development Managing the transformative effects of oil, gas and mining development so that the balance remains overall and clearly a positive one for the long term will benefit from an awareness of the latest research and thinking about how to conduct EI activity in a sustainable manner. This is an area that is rapidly evolving, with contributions from the private sector as well as civil society, international organisations, policy institutes and government practice. For many states such thinking will have an *external* character; its utilization and adaptation will be made in a country context, integrated into policies developed and approved by the government concerned.

Policies and Rules In the Value Chain framework the Implementation of Sustainable Development Policies chevron differs from the other four in at least two ways. Firstly, it is primarily policy-based rather than rule-based. Secondly, in certain areas such as environmental, health and safety impacts, the notions of ‘good practice’ which has been drawn upon throughout the *Source Book*, or ‘good-fit practice’ which takes an explicit account of context, are insufficiently demanding in designing a response to a specific problem. They may have to be replaced by the more demanding standard of *best available practice*.

Governance For the target countries of the *Source Book*, a strengthening of governance, institutions, laws and regulatory policies will be *critical* if sustainable development policies are to be effective. How the sustainability benefits are accrued, leveraged and distributed requires attention to management and oversight. Securing the consent of communities in this process requires the establishment of mechanisms for consultation and cooperation. These challenges and their implications are examined in **Chapter 10**.

Differential Approach Three distinctions are made in this Chapter to assist an understanding of how sustainable development issues arise and can be addressed in the EI sector and with what instruments. The distinctions are: between hydrocarbons and mining activities; between social and environmental impacts; and, where appropriate, between the stages in the life cycle of the particular activity. Oil, gas and mining can be vastly different in the terms of their potential social and environmental impacts and in terms of their management processes. With respect to the former, pollution from oil spills can be important, while for mining the issues associated with artisanal and small scale mining are equally important but have no parallel in the oil and gas sector.

Environmental and social issues arising from EI development can also differ, sometimes very significantly. Where these show differences, they therefore treated separately. On some issues they involve a different set of actors, tools, regulations, guidelines, and analyses. These and other differences also vary in importance according to the life cycle of extractives projects.

This differential approach facilitates a more coherent and in-depth analysis of the issues, impacts, stakeholders, tools, processes, guidelines and resources that are in practice available for each.

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