Rt Hon Helen Clark, Chair of the Board of the Extractive Industries Transparency Initiative.

"Why mining's good governance is a critical element of the energy transition" – Keynote Speech at International Mining and Resources Conference (IMARC).

Sydney, Australia, 2 November 2022

Many thanks for the opportunity to speak to the conference today on the role of good governance in the mining sector and why it is important to the energy transition.

As is well known, the mining industry has a very important role to play in the shift to net-zero carbon emissions. The technologies for a sustainable energy future – such as solar panels, wind turbines, and electric vehicles – all rely heavily on minerals.

But it will be a challenge to have sufficient mineral supply to be able to deploy low-carbon technologies at the scale and pace required for climate action, while at the same time protecting the rights and interests of stakeholders along the mineral value chain.

Action is needed to turn that challenge into an opportunity – the opportunity to grow the mining sector to support the energy transition, while ensuring both good governance and sustainable development in minerals-producing countries.

Let's start by looking at the likely nature of minerals demand. Most low-carbon technologies use far more minerals than do their fossil fuel-based equivalents. A typical electric car requires six times the mineral inputs of its conventional equivalent, and an onshore wind farm requires nine times more mineral resources than a gas-fired plant, according to the International Energy Agency.

As a result, coming decades are likely to see strong demand growth for certain minerals. Again, according to the IEA, limiting global warming to below 2˚C could require a fourfold increase in the supply of minerals for clean energy technologies within the next two decades. The more ambitious the world is in its decarbonisation efforts, the more mining it will need.

Bullish demand predictions do need to be treated with caution - a mixture of geopolitical and technological factors make it hard to predict the trajectories of specific commodities. But the bottom line is that the world is going to need more mining to keep up with demand for minerals needed for the energy transition.

Yet, while mining companies, investors, and governments of mineral-producing countries are right to view anticipated demand growth as an opportunity, past mining booms do provide a cautionary tale.

Failure to tackle diverse governance challenges resulting from increased demand could harm resource-rich countries and become an obstacle to delivering on the energy transition in a just and sustainable manner.

Let me comment now on some of the more significant governance challenges which the Extractive Industries Transparency Initiative foresees at the subnational, national, and international levels. The data I am sharing with you is presented in depth in new research commissioned by the EITI and undertaken by the University of Queensland; it will be launched tomorrow at the innovation arena of this conference venue.

At the local level, strong demand growth could push mining into more environmentally and socially sensitive areas. Half of the 700 active mining projects for transition minerals in the 57 implementing countries in the EITI overlap with conservation areas. Around eighty per cent of those projects are located on or

near territories of Indigenous and other land-connected peoples. Even in less socially sensitive contexts, opposition can arise over land access – as we have seen, for example, in reaction to proposed lithium projects in Serbia and Portugal.

Water issues will also arise. Many mineral deposits are in areas of high water stress – the "lithium triangle" between Chile, Argentina, and Bolivia is a good example of this. Where mining has a negative impact on access to water, women and girls will suffer disproportionately as the main collectors of water.

Such environmental and social sensitivities around mining are not new, but pressure to approve new mines quickly now could mean that insufficient time is allocated to consultations and impact assessments. In many countries we are already seeing a move towards streamlined or fast-tracked approval processes. While the motivation for this may often be legitimate, there is a risk of harm

to communities and the environment if there are not sufficient safeguards.

Moving from the local to the national level, a key risk relates to a potential increase in corruption from fast growth in demand for key minerals. It is estimated that between thirty and forty per cent of forecast mineral production needed for low-carbon technologies will originate from countries with weak governance. That suggests that status quo approaches to corruption in those countries just won't suffice.

A key risk revolves around the award of mining licences and contracts, where bribes could be used to influence decision-making, or preferential treatment could be given to politically-connected companies. In countries using fast-tracked award processes, there is a high risk of corners being cut and due diligence checks being bypassed.

Other business opportunities can also be put at risk. Procurement processes are vulnerable to corruption where companies are under pressure to source goods and services from politically-connected companies to meet local content requirements, or to use similarly connected agents and intermediaries. As well, commodity trading deals, particularly when they involve state-owned enterprises, have time and again proven to be corruption hot spots.

The minerals demand created by the energy transition also presents some challenges for the public finances of resource-rich countries.

Managed well, a growing mining sector can be a source of increased revenue for governments, but price volatility can also make sound public financial management more difficult. Too often in the past, we have seen governments mismanaging or wasting revenues during boom times, only to have to make painful

spending cuts when prices drop. That undermines public services, and also results in missed opportunities to convert natural resource wealth into sustainable development outcomes. In extreme cases, the mismanagement can fuel political instability and conflict.

Revenue volatility can also drive uncertainty in the fiscal framework. During a price boom, host governments sometimes increase taxation, which does bring in short-term windfall revenues, but may deter long-term investment.

The implications of these trends matter not only for resource-rich countries, but also globally. Weak mineral sector governance can harm downstream businesses, and undermine the roll out of low-carbon technologies at the pace and scale needed to meet global decarbonisation objectives.

This matters for the energy transition, and also for energy access and security. Particularly in fossil fuel-importing countries, low-carbon technologies are a way of reducing reliance on trade partners.

As the fallout from the war in Ukraine shows, energy trade relationships can be fragile and have major consequences for supply. A lack of energy security hurts both households and businesses. Consumers are facing high energy prices in many countries now, with the most vulnerable hit the hardest. Delivering clean, affordable and reliable energy is critical to ensuring a just transition – and the minerals sector is an essential component of that.

The challenge therefore is to secure reliable mineral supplies for the energy transition, and to do so in a sustainable manner. The *means* of minerals production and trade need to be consistent with

the *ends* to which they are used: they must benefit people and the planet.

So – what needs to be done to strengthen mineral sector governance to deliver the energy transition in a just and sustainable way?

First, we need to strengthen resource governance in minerals-producing countries. Governments need to put in place strong legal and institutional frameworks, and ensure that these are effectively implemented. We see more and more governments writing "critical minerals" strategies and policies to grow their mining sectors or secure supply. When doing so, they should consider what measures are needed to mitigate the kinds of risks I have discussed today.

For the past 20 years, the EITI has led the way in promoting transparency and accountability in the extractive industries, and

has established the global benchmark for good governance in them. We do this by requiring broad information disclosures, and by promoting multi-stakeholder dialogue between governments, industry, and civil society. Currently, nearly sixty countries around the world implement the EITI Standard, and many of the world's largest mining and energy companies, as well as influential civil society organisations, are among our supporters.

EITI disclosures and processes provide a range of entry points for tackling governance challenges. Data on exploration, production, and revenue flows can inform forward-looking planning on the sector's economic contributions. Transparency around contracts, licensing, and company ownership can mitigate corruption risks at vulnerable points in the mining value chain. Environmental and social disclosures can shed light on the performance of mining companies at the local level. Transparency related to state participation can help to ensure that state-owned companies operate in line with the public interest.

In all of this, there is a need to ensure that local communities are given a voice in how the sector is managed – particularly as investment ramps up. Local stakeholders need access to information and dialogue platforms which enable their priorities and interests to be represented in policymaking and investment decisions.

Mining companies also have an important role to play. We need to see strong commitments to international standards. The EITI's "Expectations for EITI supporting companies" set out best practices in relation to transparency and good governance. The World Bank Group's IFC Environmental and Social Performance Standards and the ICMM's Mining Principles are important. We want to see financial institutions require the companies they invest in to uphold these standards.

We also need to ensure that companies further along the value chain play their part. Strong commitments are needed to supply chain due diligence ranging across scrutiny of human rights and environmental issues to assessing governance and corruption risks.

Governments of minerals-importing countries must also act to uphold good governance. Trade agreements related to the minerals sector should include strong ESG safeguards. Where introducing mandatory due diligence requirements, minerals-importing countries should ensure that the G in ESG is meaningful and does not fall by the wayside.

The shift to net-zero has the potential to provide significant benefits at the local, national, and global levels. Yet, there is also a real risk of missing the opportunity to ensure that the mining sector contributes fully to sustainable development and to the fight against climate change.

Thus, the time is now to strengthen mining sector governance. Those gathered here at IMARC have the influence to help ensure that this is a priority. At the EITI, our hope is that the will exists to take this challenge seriously, and to act to address governance issues in the mining sector to secure a just energy transition.