Regulating conflict minerals: The ‘bigger picture’, challenges and policy options

Event "Conflict minerals in global supply chains”
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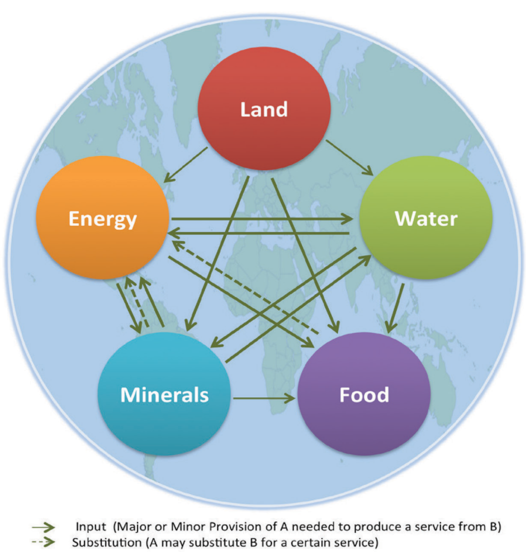
"Out there"? Why Conflict Minerals and Transparency Matter

Supply Chain Risks

- Price increases
- Price Volatility
- Scarcity
- Global Resource Nexus
- Responsibility

The Resource Nexus

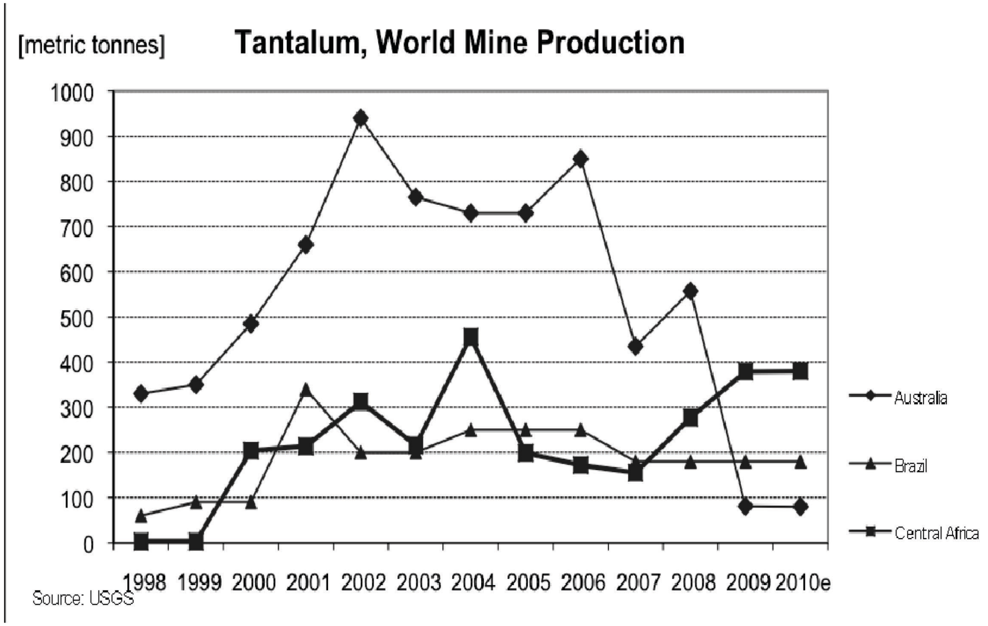


Resource-Efficiency

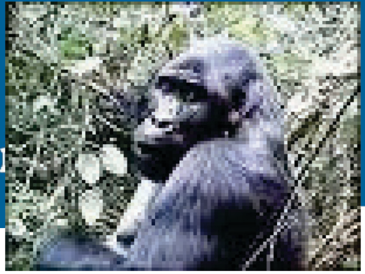
- Process Innovation
- Light Products
- New Materials
- Circular economy
- Green cities & Infrastructures

Australia – the Lost Supply Giant

The Financial Crisis 2008 has had a significant impact on tantalum/coltan markets: Australia,
the largest supplier at that time and largest reserve holder ceded production and hasn't returned yet



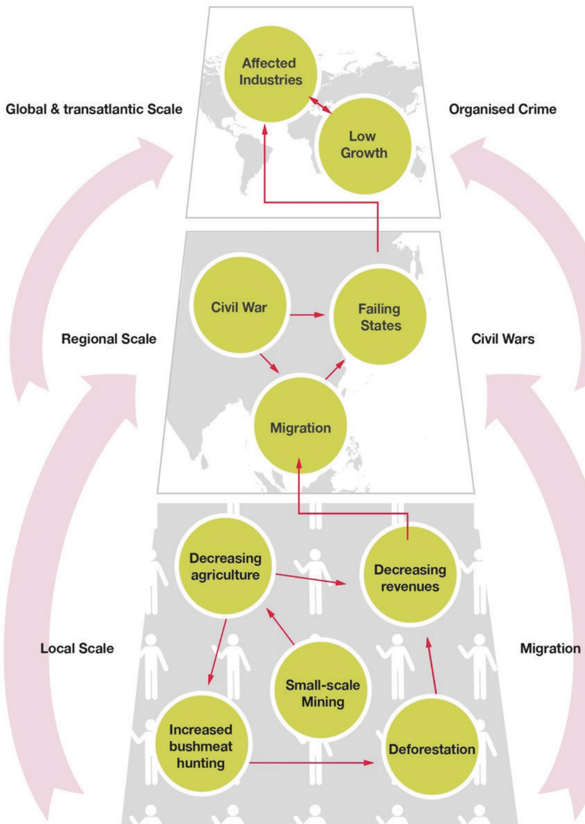
Revenues compared: some „Gorilla economics“



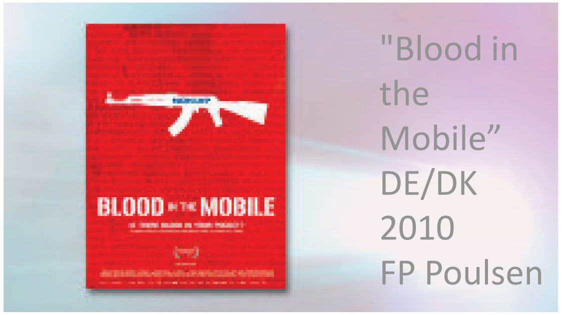
- Mining may endanger world heritage sites, Virunga National Park, Kahuzi-Biega and the Okapi Wildlife Reserve
- Doing traditional environmental valuation: Calculating the monetary value of a Gorilla as a tourist attraction:
  - 500 US$/person in a group of 8 and and average gorilla group of 8
  - * 200 visiting days p.a. = 100.000 US$ p.a.
  - * 40 years life expectancy = **4m US$**
  - Plus extras from accommodation etc.
- Comparing the example of Rwanda: tourism attracts ~ 400 m US$ p.a.
- Calculating ecosystem services (e.g. for global carbon flows, water flows, biodiversity etc.)
- => Likely to yield higher and more sustainable income than e.g. illicit extraction of minerals

Challenges of Transparency

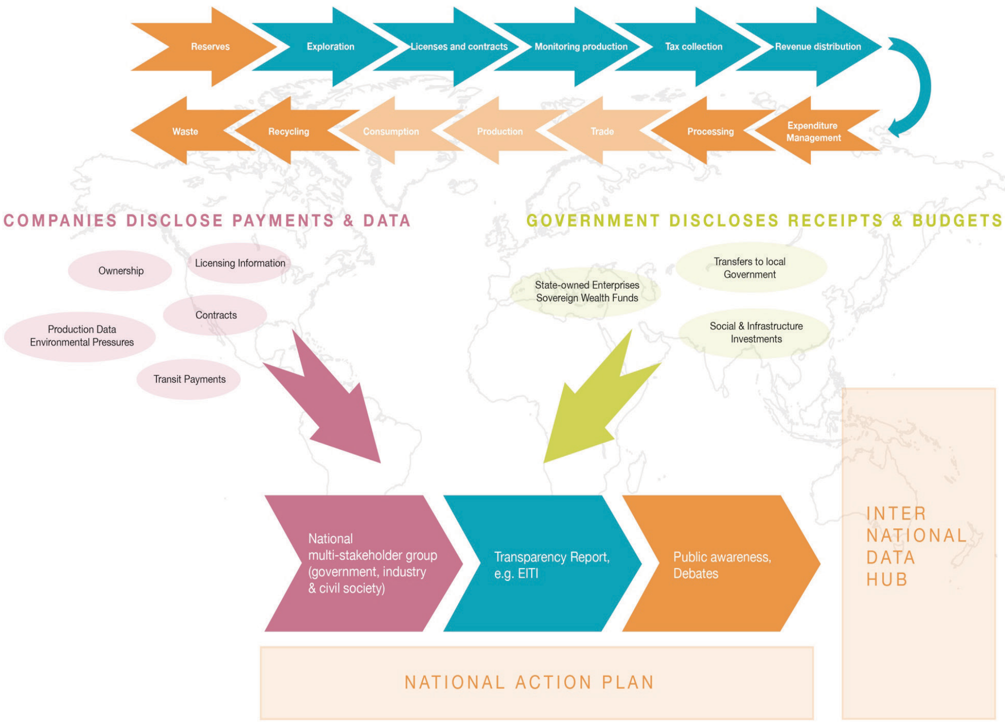
Market Risks Resulting from the Resource Nexus and Illicit Minerals Trade (Case: Coltan)

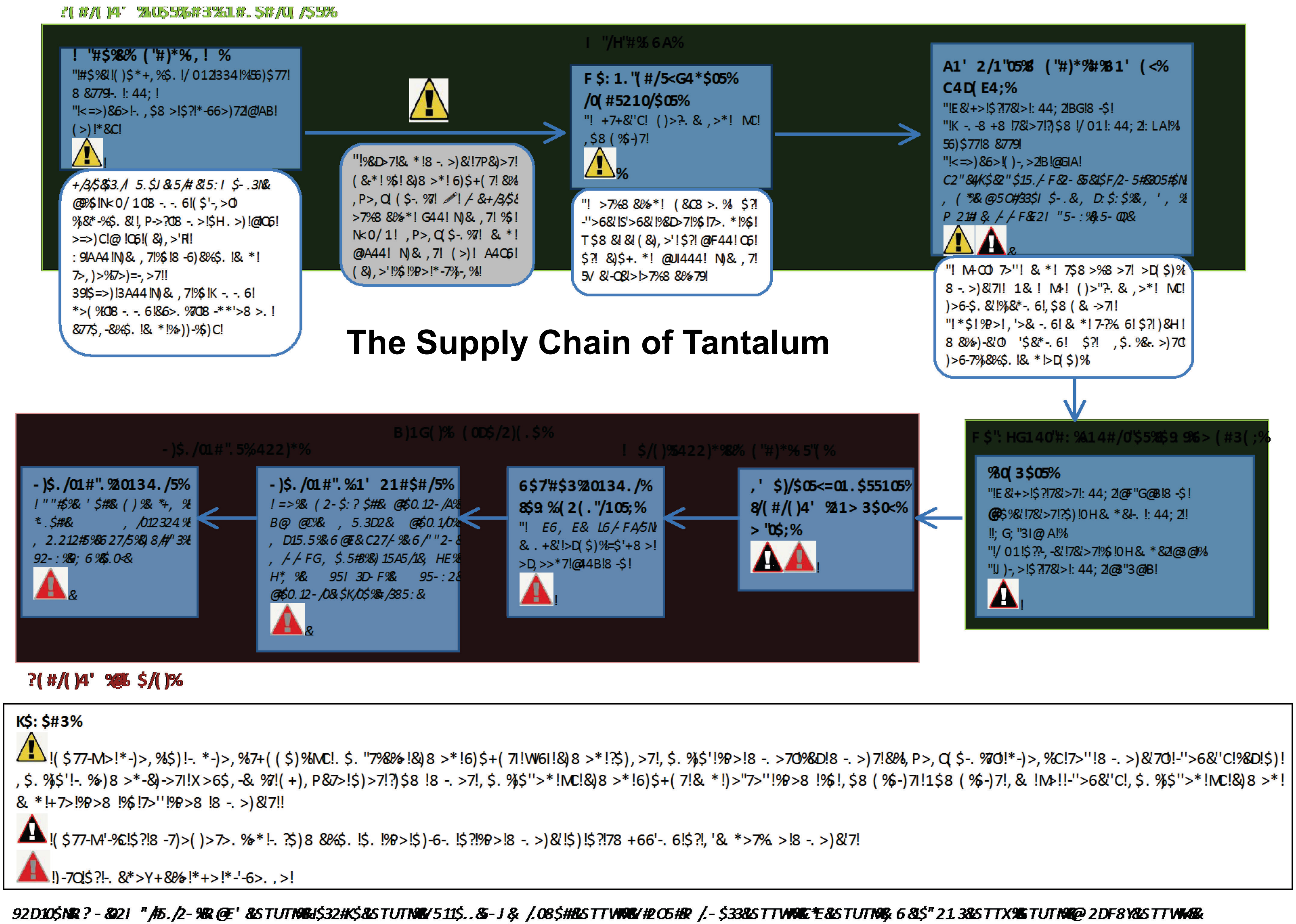


Source: Adapted from Folke et al. 2011



Transparency as a Catalyst for Sustainable Resource Management

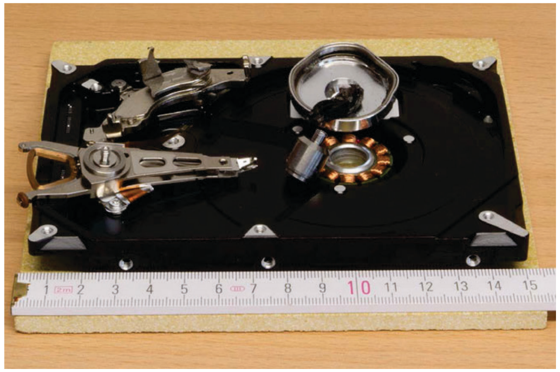


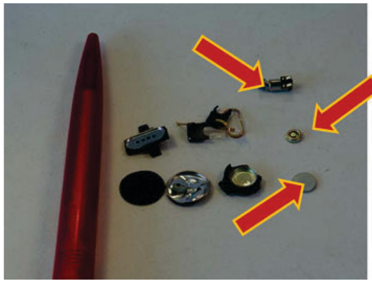

The Supply Chain of Tantalum

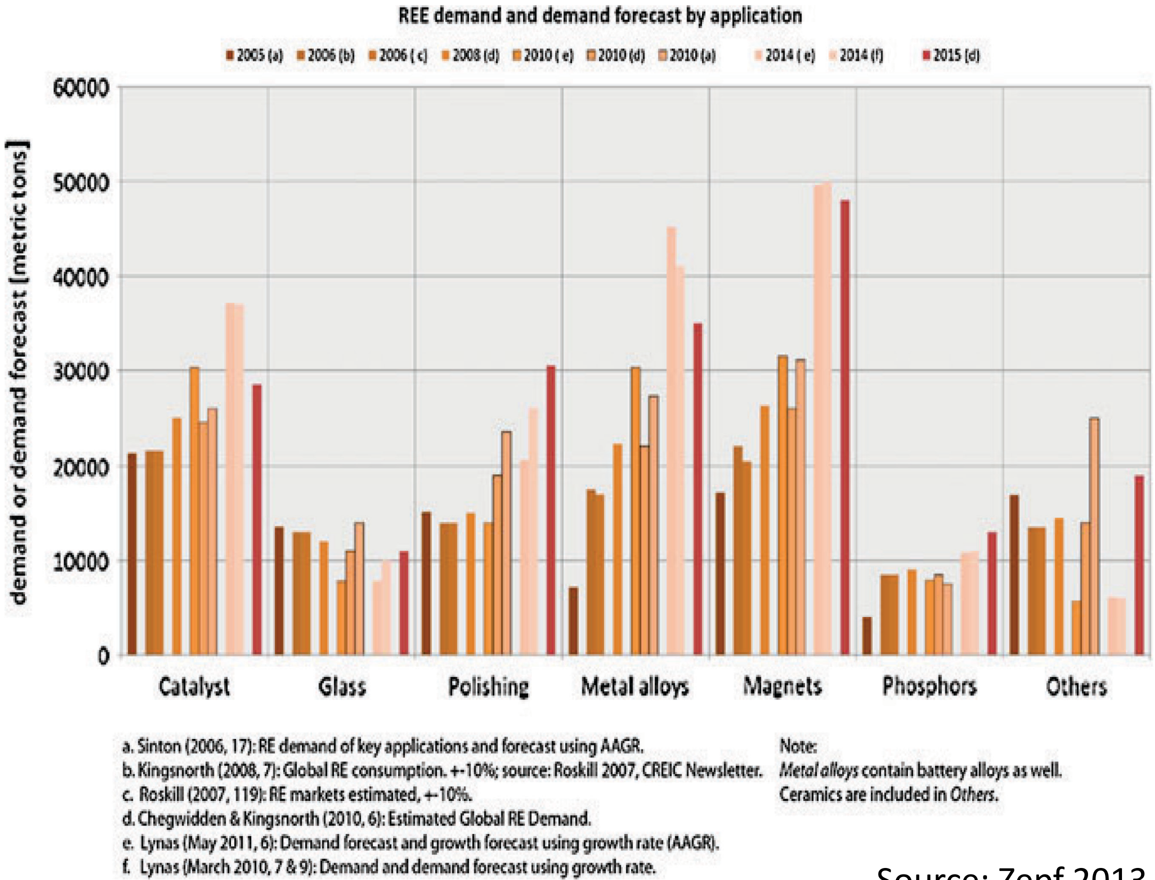
Illicit mining:
The case of Rare Earth Elements

- China still dominates the market; some 40 % of REE mining in China estimatd to be illegal

(Source: D. Kingsnorth, ERECON 11/14)







Source: Zepf 2013

Transparency: The Dodd-Frank Act and Related Initiatives

Fight against corruption, fraud, tax dodging
Tax evasion by top companies criticised
Public finances in crisis

- Extractive Industries Transparency Initiative (EITI)
- 2010 U.S. Dodd-Frank Act, Section 1504
- EU: Approved rules on June 12, 2013
- G8 Lough Erne declaration on transparency

Global Witness, Oxfam, and Publish What You Pay
IMF, World Bank, OECD
Voluntary Reporting

Update on international transparency

- US Dodd-Frank section 1504: Implementation guidelines in August 2012, reports were due for early 2014. BUT: lawsuit filed by the American Petroleum Institute. US courts rejected the SEC’s proposed rule in 2013, and there has been no re-proposal since then. The SEC has announced that it will meet to adopt a final rule in June 2016. Additionally, the API has proposed a model for how to comply with the disclosure (Holland 2015)
- Crisis regions (e.g. DRC) however are still fragile and – yet – have strong supplier positions.

Potential Mid-Term Impacts, Risks, and Opportunities: Scenarios for the Future

Global Divide

- Emerging economies stay aside
- Illicit trade increases
- Security at risk

Enhanced Cooperation

- Eradicating poverty
- Sustainable fiscal systems
- Green Sovereign Wealth Funds

Certification and policies

Transparency is very challenging, certification ought to be institutionally robust and should address close to 100% of actors' operations

Central Africa currently is the largest supplier of coltan on the world market, many actors profit from the current situation and possess abilities to hide responsibility

China and its smelters will need to accept more responsibility, a first step is the MoU signed with the OECD in 2014

Better regional governance in Central Africa ....may comprise a resource fund and coordination with neighboring countries

Conclusions and Policy Options

- The EU should join the US and companies for a leadership coalition
- EU should require reporting in a way that forces companies to account for payments in a consistent manner – towards publicly usable databases
- Disclosure and certification along the whole international value chains, with smelters and refineries; benchmarking certification: support for pioneering initiatives
- Additional measures: Partnerships with emerging economies, International Alliance for Resource Efficiency

Suggested ways forward

From knowledge to action

Transparency and accountability

International data hub on SRM

International Resource Agency

Multistakeholder Forum for SRM

Key areas of concern

European and international phosphorus policy

International metal covenant

Transform bilateral agreements toward SRM

International Resource Politics

A sustainable world economy

Cutting subsidies - introducing resource taxes

Leveraging finance for SRM

Rethinking international trade

New legal mechanisms

Thank you

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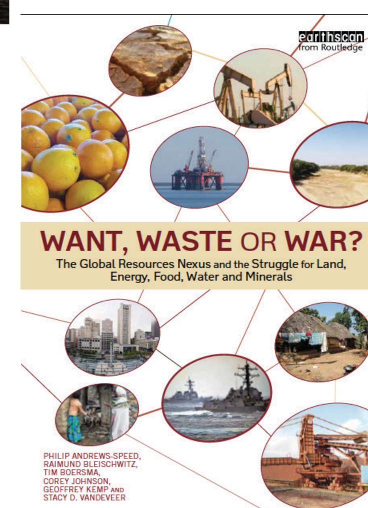
The New Book:



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