Submission to the UN Secretary-General's Panel on Critical Energy Transition Minerals: input on principles and recommendations

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About this submission

This is a response to a call for submissions issued by the UN Secretary-General's Panel on Critical Energy Transition Minerals to help the Panel develop stronger and clearer principles and actionable recommendations for guidance to stakeholders across the critical energy transition minerals value chains and speed up their implementation. The author submitted this response to the UN on 29 July 2024. This version has been lightly edited prior to publication.

For more information about the call for submissions, visit:
www.un.org/en/climatechange/panel-on-critical-minerals-submissions

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1. Background and context

'Critical energy transition minerals' are those minerals that are essential components of many of the clean energy technologies that are required as the world transitions from fossil fuels to renewable energy, and include cobalt, copper, lithium, nickel and rare earth elements. In a scenario in which global average temperature rise is kept to 1.5°C above pre-industrial levels, demand for critical minerals for clean energy technologies – from wind turbines and solar panels to electric vehicles and battery storage – would grow by four times by 2040 (International Energy Agency, 2024).

As mineral extraction accelerates to match the needs of the energy transition, it is crucial to ensure that the countries and local communities endowed with these resources are the ones to benefit the most.

Established in April 2024, the UN Secretary-General's Panel on Critical Energy Transition Minerals seeks to build trust between governments, local communities and industry by addressing issues relating to equity, transparency, investment, sustainability and human rights. It builds on existing standards and initiatives, particularly the Working Group on Transforming the Extractive Industries for Sustainable Development and its flagship initiative, 'Harnessing Critical Energy Transition Minerals for Sustainable Development,' to strengthen and consolidate existing efforts.

The Panel made this call for submissions to inform its development of principles and actionable recommendations for implementation under four different workstreams, which will feed into 'final overarching outcomes' ahead of the UN General Assembly in September 2024.

Through its work and the development of the principles, the Panel will seek to fulfil the following objectives:

- Support a just and equitable transition to renewable energy while harnessing critical energy transition minerals for sustainable development.
- Ensure countries and local communities endowed with these minerals fully benefit economically, including through local value addition, while safeguarding social and environmental protections for affected communities and ecosystems.
- Strengthen international cooperation including through the alignment and harmonisation of existing norms, standards and initiatives and agree on areas for enhanced multilateral action.

The workstreams are as follows:

- Benefit sharing, local value addition and economic diversification.
- Transparent and fair trade and investments.
- Sustainable, responsible and just value chains.
- Mineral value chain stability and resilience.

2. Responses

1. Please indicate what you / your stakeholder group considers as the most important guiding principle/s under each workstream

Benefit sharing, local value addition and economic diversification workstream

Under this workstream, the most important principles are to: drive sustainable regional development through dedicated policies; develop regional cooperation; support local small and medium-sized enterprises (SMEs), localise upstream and downstream supply chains of energy transition minerals (ETMs); and encourage community co-ownership of mines.

The extraction of mineral ores and their midstream refining and processing often do not overlap geographically, especially within developing countries. This limits possibilities for sustained economic benefits through exporting higher value-added intermediate or final products like copper cathodes and batteries. Localising mineral refining can increase tax revenue, and also spur development and create jobs. Key barriers to this strategy in emerging market countries include a lack of infrastructure, technical capacity and access to low-cost electricity, all of which can result from colonial legacies. To improve their bargaining power under the evolving geopolitics of the low-carbon transition, there is scope for cooperation between developing nations that have significant mineral reserves.

Mining and associated economic activities can be organised to benefit both host countries at a national scale and local regional economies. This can come in the form of direct support to local SMEs involved in the mining value chain or by putting in place policies like local content requirements for mining companies' own procurement of materials and equipment. In addition, local businesses and regional economies can be supported by co-ownership arrangements. For example, local Indigenous Peoples might acquire equity stakes in industrial projects on their lands. Such arrangements must be tailored to the needs of each Indigenous group, many of which may seek economic independence, self-determination and project control that may or may not be achieved through equity participation (Kung et al., 2022). ETM mines can also draw on the example of shared prosperity models used by some renewable energy projects. For instance, Indigenous Massai custodians negotiated a 5% share of a windfarm in Kenya, with proceeds going to a community trust.

Transparent and fair trade and investments workstream

The most important principle under this workstream is that investors and investment decisions consider the social and environmental factors surrounding mining. A just transition requires governments and companies to respect local communities. In the context of mining, a crucial part of this is gaining Indigenous Peoples' consent for industrial activities on their traditional territories.

Unlike most economic sectors other than agriculture, mining is a land-based and geographically expansive activity. For this reason, those with the strongest economic and cultural connections to the land, such as Indigenous and agrarian communities, must be front and centre in discussions about the social impacts of mining.

Outcomes that support a just transition can be delivered through the application of high-integrity responsible mining standards. Existing standards for socially and environmentally responsible mining and related tools shed light on how mining companies should manage their social impacts and relationships with employees and local communities to realise a just transition.

Broadly accepted mining standards are useful to all stakeholders, including investors, companies, governments, and affected communities and workers. Tools and standards that set out detailed guidance on best practice, provide independent assurance and publish relevant data are most useful. These resources can support investments into more responsible companies or projects and enable their performance to be monitored. Companies need standards to help them improve mining operations, establish robust transition plans and signal compliance to investors. Policymakers may use existing standards to develop regulations for the mining sector. Workers, communities and customers, among other stakeholders, can use standards to hold mining companies to account.

There is a wealth of existing standards for responsible mining that vary in their aims, scope and governance structures. Some aim to facilitate corporate due diligence while others provide criteria that are independently audited by third parties. However, relying on corporate disclosures and voluntary standards alone can result in a biased overall picture of mining companies' social and environmental performance. Tools that bring to light allegations by communities and workers against companies, such as the Transition Minerals Tracker and the OECD Watch Complaints Database, offer crucial complementary insights to this information.

Seeking alignment and interoperability across standards can be helpful but should not undermine important regional or commodity-specific topics.

Sustainable, responsible and just value chains workstream

Under this workstream, the most important principle is respect for communities affected by mining. The mining sector has a chilling track record of intimidation and murder of defenders of land and human rights. Gendered violence against local communities has also been linked to extractive activities.

Companies operating downstream in mineral supply chains can establish robust procurement criteria for the sustainability and social impacts of purchased minerals. The transition plans of these downstream manufacturers, especially those whose core business models are already aligned with net zero, should focus on the social and environmental impacts of purchased minerals and materials. Companies should adopt the tools and standards mentioned above.

Among mining standards, the Initiative for Responsible Mining Assurance (IRMA) is worth highlighting for its assurance system that includes public notice of audits, in a sustained effort to hear all voices, and makes use of offsite audit interviews to acquire a holistic view of mine performance. IRMA's governance is uniquely aligned with the just transition principle of centring the voices of affected workers and communities. Unlike many standards that tend to be industry-led, IRMA has a unique multistakeholder governance structure in which six stakeholder types have equal voting rights: these are organised labour, affected communities, non-governmental organisations, investors, companies that purchase minerals, and mining companies. Most other standards only involve stakeholders outside of the mining sector through more detached consultation processes. A systematic and comprehensive overview of global mining standards found IRMA to have among the highest quality of governance structure, auditing and transparency (Erdmann and Franken, 2022).

Mineral value chain stability and resilience workstream

The most important principle under this workstream is demand management because it reduces the pressures of mining on communities and ecosystems, and it can stabilise prices by minimising the mismatch between commodity supply and demand.

Accepting that some new ETP mines may not be approved on the grounds of environmental harm or lacking consent from local Indigenous Peoples means that mineral demand management is crucial. As such, the first principle of waste management – 'reduce' – must become a higher priority. Those committed to a just transition need to aggressively tackle the astronomical increase in mineral demand, seeking to manage it through innovations that support a circular economy, material efficiency and cultural change, such as embracing carless cities and anti-consumerism. This means expanding from a focus on improving individual mine projects to transforming wasteful economic activity throughout supply chains.

The unique circumstances brought about by the low-carbon transition will affect workers and must be carefully managed. For example, price volatility in ETM commodities is expected because of rapidly increasing demand and various mineral supply constraints, such as long lead times for new mine approvals. Periodic price spikes and volatility have historically characterised the markets for minerals and for crude oil. Commodity price volatility can cause job precarity – not only for those employed in mines, but also for indirect and induced jobs in other sectors like accommodation and construction services (Scheer et al., 2022).

2. Please indicate the required recommendations to operationalise these principles

The mining sector will need to undergo significant expansion of ETM mining for the low-carbon transition. This creates unique social risks. As a research group dedicated to understanding just transition issues in a financial context, the Just Transition Finance Lab recently set out specific recommendations for investors to support just transitions in mining (Scheer and Robins, 2024). Our research and recommendations can feed into the UN Panel's workstream on 'Transparent and fair trade and investments'.

Our eight recommendations for investors are:

1. Investor strategy. Both individual investors and joint responsible investment initiatives should make commitments on how they will support a just transition into mining for ETMs. Commitments should include clear recognition of their roles and responsibilities, an understanding of intended and unintended consequences, and transparency on their actions and how progress will be measured.
2. Corporate dialogue and allocation. Investors should intensify their just transition engagement efforts with private companies in the minerals sector whose equity and debt they own. They could focus on improving the ways in which companies incorporate social impacts in their transition plans, tested through performance at specific mine sites. Investors should conduct engagement in a way that is informed by data and research on forms of harm and socio-environmental risks that are particularly relevant in each case. For example, investors can draw on analysis by Lèbre et al. (2020) that quantifies the magnitude of different environmental, social and governance risks such as water stress and social vulnerability by geographical location and by ETM commodity. In addition, investors can conduct their own analysis on data related to the harm caused by mining to tailor engagement to particular companies, sites and countries. Investors could also signal their appetite for financial instruments like sustainable or other thematic bonds that are designed to generate outcomes that support social justice in mining contexts.
3. Government dialogue and allocation. Investors should set out their expectations of governments on the just transition and engage in dialogue with them to achieve implementation. This can be guided by investor frameworks such as the Assessing Sovereign Climate-Related Opportunities and Risks (ASCOR) tool, which includes country-level assessments of just transition policies. Investors should signal their appetite for the issuance of sovereign bonds where proceeds or performance are at least partly focused on the just transition in extractive sectors.
4. State-owned enterprises – dialogue and capital allocation. Investors should engage with SOEs to communicate their expectations for action on the just transition and seek adoption through strategies that are joined up with sovereign engagement. The results should be incorporated into long-term capital allocation.
5. Direct dialogue with workers, Indigenous Peoples and local communities. Individual investors and joint responsible investment initiatives should initiate dialogue with trade unions, Indigenous Peoples and representatives of local communities in the design and implementation of their just transition strategies for the minerals sector. In complement, investors should advocate in their engagement activities with companies, governments and others the fundamental importance of these actors being included in planning and decision-making for a just transition in mining. This needs to recognise communities' historical exclusion from mining decision-making and their often limited resources to participate. Investors should explore how they can invest in transactions that develop local economies, such as via impact investing structures.
6. Opportunities in mineral value chains. Investors should identify leverage points for promoting a just transition in mining along value chains, for example with purchasers of ETMs in the energy, industry and transport sectors. Such opportunities could be found in financing networks, such as in bank lending and transactions.
7. International frameworks. Investors should support the implementation of existing high-integrity responsible mining standards and explore how these may need to be extended to respond to the scale and speed of the low-carbon transition. Where relevant, investors should contribute to the development of just transition frameworks for the minerals system at the international level to ensure consistency and effectiveness.

8. **Opportunities and partnerships to contribute to sustainable development**. No single actor alone can deliver the change that is required to make the low-carbon transition just: system transformations are needed. Although in their early stages, the Just Energy Transition Partnerships have helped to stimulate domestic and international, public and private action (e.g. in South Africa). Investors could explore whether such vehicles for ETMs could help to deliver targeted action for a just transition. Overarching investor strategies must account for the development tensions in extractive sectors. This requires supporting pro-development policies such as royalties and export tariffs, even if they may curtail corporate profits in the short term. Investors can also seek out financial opportunities to invest in industrial projects that localise mineral processing in emerging economies.

3. Other comments

We have recently published a report that is relevant to this UN Panel, titled *Unjust Minerals: how investors can support a just transition in the mining sector* (Scheer and Robins, 2024).
See https://justtransitionfinance.org/publication/unjust-minerals-investing-in-the-changes-needed-for-a-just-transition-in-the-mining-sector.

Please email mailto:gri.Jtfl@lse.ac.uk if you would like to discuss any of the analysis in this submission or our report on minerals.

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