

Does the potential for corruption in the mining sector threaten a just energy transition?

Low-carbon technologies rely heavily on minerals, which puts increased demand on the mining sector and makes it more susceptible to corruption, especially in relation to the award of new mining licenses.

Corruption in mining licensing increases the likelihood of harm to communities and the environment, which is bad for business because it undermines the industry's social license to operate and increases the risk of supply disruptions.

The mining sector is critical in efforts to fight [climate change](#) and improve energy access, particularly for the world's poor, all stakeholders must act urgently to tackle corruption risks to deliver on this promise.

Minerals are a critical part of the solution in the global shift towards a low-carbon economy. But a mining boom presents a multitude of corruption risks that **could harm communities and the environment**. Governments, the private sector and other stakeholders must act now to make sure the fight against climate change doesn't have collateral damage.

The latest **IPCC** report throws into sharp relief the world's collective failure to act decisively to avoid the catastrophic consequences of climate change. To keep the prospect of achieving the goals of the Paris Agreement within reach, there is an urgent need to scale up the deployment of low-carbon energy technologies around the world.

Such technologies rely heavily on minerals. According to the [International Energy Agency](#), a typical electric car requires six times the mineral inputs of a conventional car, while an offshore wind farm requires thirteen times more minerals than a gas-fired plant of similar size.

Consequently, the demand for the minerals needed for the energy transition is expected to rise significantly in the coming decades - as much as 900% for certain minerals, according to a recent report by the Extractive Industries Transparency Initiative (EITI) and the Sustainable Minerals Institute. While that growth will be uneven and unpredictable, the message is clear: our collective ability to fight climate change depends on reliable and sustainable supplies of minerals.

A mining boom could drive corruption risks

While an increase in mining investment presents economic opportunities for mineral-rich countries through taxes, jobs and new infrastructure, past experience provides a cautionary tale. The EITI's report charts the many governance challenges that could arise from a mining boom, ranging from environmental harm, social conflicts and corrupt deals to price shocks and disruptions in global supply chains.

Corruption harms communities and the environment

A key risk relates to the award of mining rights. As producers scramble to find mineral

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deposits and bring new mines into production, governments in many countries will receive a flurry of license applications. With the stakes so high, companies may be tempted to offer bribes to speed up approvals. And elites may seek to benefit from a mining boom, putting pressure on officials to cut corners on environmental and social impact reporting and due diligence in general.

Many countries are looking to speed up approvals to capitalise on growing demand and stave off shortages in mineral supplies. **The EU's new Critical Raw Materials Act**, for example, seeks to streamline national permit procedures. Yet, efforts to optimize licensing processes should not come at the expense of rigorous due diligence checks, impact assessments and meaningful consultation. Rather, such verifications must be a routine part of project assessment and approval processes.

Corruption in the awarding of mining rights increases the risk of harm to communities and the environment. About 80% of transition minerals projects in countries that implement the EITI Standard are located on territories of Indigenous or other land-connected peoples, while approximately 50% overlap with conservation areas. With high prices likely to push mining into more environmentally and socially sensitive areas, the need for strong safeguards in approval processes is more pressing than ever.

Without responsible mining there will not be a smooth energy transition

The mining sector has a critical role to play in providing the world with the minerals needed to scale up low-carbon technologies. This is essential for fighting climate change and for improving sustainable energy access for the world's poorest people.

The sector's ability to live up to this promise hinges on strengthening governance across the mineral value chain. A critical component of that is to take decisive action on corruption. Business as usual won't suffice. A group of anti-corruption experts convened by the Natural Resource Governance Institute, OECD and EITI, is urging governments, companies, investors, international organizations and others to implement measures to prevent corruption in energy transition mineral supply chains.

This includes stepping up efforts to identify and mitigate corruption risks, strengthening environmental and social safeguards and promoting transparency on contracts, tax payments, commodity trades and company ownership.

The tools to do this do exist. Nearly sixty countries, for example, implement the **EITI Standard**, a reporting mechanism that strengthens transparency and multi-stakeholder dialogue along the minerals value chain.

The minerals sector can support sustainable development and a just [energy transition](#), but only if the private sector, governments and other stakeholders are willing to take corruption

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seriously. Collective action is needed now to ensure that the fight against climate change is managed in an open, inclusive and responsible way that works for people and the planet.

Source: WEF