



CENTRE FOR INTERNATIONAL AND DEFENCE POLICY

BRIEFING NOTE

SUBJECT: Is there a difference between oil and mining security practices?

According to the OECD Lessons from the Mining Sector, there is a significant difference between oil and mining companies. Since oil companies have a retail presence that mining companies usually do not, consumer pressures from high public visibility are important drivers for corporate social responsibility initiatives in extractive industries.¹ A Chatham House Report notes that although they define extractive industries as both oil and mining, the similarities between the two are accompanied by stark differences.² Due to the homogenous commodities of the oil industry compared to mining's multiple and diverse metals and minerals, mining companies operate in smaller and fragmented markets than oil and gas. When it comes to the impact of these sectors, mining demands a longer timeframe for development and continuous investment. Mining operations have a greater impact on communities than oil practices, due to the linkage of operations to the local economy, which tends to create tension centred on operations that impact livelihoods at the community level.

It is important to outline the difference between the oil/gas and mining. First, the mining sector is characterized by a large number of companies that vary in size that exploit diverse minerals and metals. Compared to oil/gas, which are dominated by smaller number of large companies that extract two commodities. The function of these sectors is important to note because implementing initiatives, such as the Extractive Industries Transparency Initiative (EITI), depends on the particular branch of extractives. Second, mining companies tend to have a bigger impact on community's economy and environment, and due to this visibility have high expectations and demands by host governments and civil society. Third, state participation is very common in oil and gas producing countries and less common in mining countries. Finally, oil and gas producing countries revenues are captured at the national level. Increasing trends show that revenues in the mining sector are held at the sub-national levels of governments (i.e. regional governments, and local and district authorities).³

Some of the differences between oil and gas include the security of supply, which is more important for gas than oil since gas outages involve greater problems of reconnection. Gas moving into commodity supply markets carries a volume risk, since the quantity is dependent on market consumption. For oil, cross-border trade pipeline quantity is determined by production rather than by the market. Additionally, the environmental threats from oil and gas pipelines

¹ OECD. 2002. "OECD Global Forum on International Investment Foreign Direct Investment and the Environment Lessons from the Mining Sector: Lessons from the Mining Sector" (Paris: OECD Publishing): 199.

² Chatham House. 2013. "Conflict and Coexistence in the Extractive Industries" (London: Chatham House): 12.

³ Darby, Sefton, and Kristian Lempa. 2013. "Advancing the EITI in the Mining Sector: Implementation Issues" *Working Paper 82685*: (Washington D.C.: World Bank): 3-4.

differ significantly. Where leaks from a gas pipeline present an explosion problem, spills from an oil pipeline risk despoiling large areas of terrain. The modes of transportation available for each also differ. The practical means of moving gas is in the form of Liquefied Natural Gas (LNG), and LNG is competitive only where the distances involved are greater than 4,800km. Oil, in contrast, is more easily moved, which means that oil pipelines potentially face much greater competition.⁴

Do these differences translate into distinct security practices? Well, although it has been noted that there is a significant difference between the activities, security practices in the extractive industry group oil, mining, and natural gas together. Here are a few examples of security practices in extractive industries that do not differentiate between oil and mining:

- [Barrick Gold Corp, “Security Management System”](#)
- [Chapter 5 in “Transnational Companies and Security Governance”](#)
- [International Institute for Sustainable Development, “Guidance for Extractive Industries”](#)
- [Learn Corp International, “Industrial Training for the Extractive Industry Sector”](#)
- [US Agency for International Development, “A Toolkit for Intervention”](#)

In several case studies that deal with oil-related issues and gas-related issues, there is a similar approach taken by companies. These cases highlight how oil, gas, and mining activities are seen and treated practically the same in various cases although (as previously outlined) the practices and impacts of all three differ.

The following are five case studies conducted by independent sources that deal with security operations in the oil sector, looking at how the conflict unfolded and how it was responded to:

Peru

The PERU LNG Project operated by Hunt Oil utilized a transportation pipeline that crossed the Andes to a liquefaction plant and marine terminal on the Pacific coast. The 208-km pipeline crossed landscapes and ecosystems passing through 22 districts. This pipeline influenced 34 rural Andean communities and 15 localities that depend on agricultural practices. According to the United Nations Development Programme (UNDP) these communities are considered the poorest in Peru. Given this social context, PERU LNG decided to conduct an in-depth socioeconomic and cultural evaluation of the communities likely to be affected by the Project. A Rural Andean Community Management Strategy was developed to ensure that appropriate consideration was given to the most vulnerable populations along the pipeline. Furthermore, a comprehensive participative community-monitoring programme was established during pipeline construction. The Participatory Environmental and Social Monitoring Programme (PESMP) was implemented to ensure the programme was appropriate for the social context. The primary objective of the PESMP was to provide an opportunity for community members to actively participate in the monitoring of the overall environmental and social performance of the Project during construction. The development of the PESMP involved the participation of stakeholders from the affected communities, local authorities, civil society, governmental offices, and international financial institutions. Information about the programme was provided to the communities

⁴ UNDP and World Bank Energy Sector Management Assistance Programme. 2003. *Cross-Border Oil & Gas Pipelines: Problems and Prospects* (Washington D.C.: World Bank): 12-15.

through informative meetings and follow-ups to ensure they had a clear understanding of the scope, benefits, and arrangements. The PESMP represents the first participatory monitoring programme that has been carried out in the construction phase of a major oil development project in Peru. It is considered successful with community participation assuring the process was effective. Due to the community's involvement in social and environmental aspects of pipeline construction, potential conflicts have been avoided and grievances related to community expectations have decreased.⁵

Cameroon

Oil and gas operations are considered a national asset with public security forces in the country being charged with the responsibility for the safety and security of extractive operations. When Kosmos Energy started their operations at the Sipo-1 well in February 2013, it was the first time for an oil project in Cameroon to be situated onshore. The human rights challenges commonly present at extractive operations were new to most of the actors involved, including the international company, the local communities and public security forces. Kosmos Energy could not rely on public security forces to be trained or familiar with the human rights standards central to the company's VPs commitments. The military and company presence created an unfamiliar and insecure situation for the local communities. To avoid any local conflict on human rights violation, Kosmos Energy needed to reach all the different stakeholders and thus enable them to act in concern to ensure their compliance with applicable human rights standards. The challenge the company faced was to identify a shared discourse, which is consistent with universal human rights standards while resonating with the reality of the local context. Kosmos partnered with The Fund for Peace (FFP), a U.S.-based organization that promotes sustainable security, assisting the training capacity of the special unit of the Cameroon military known as the Battalion d'Intervention Rapide (BIR). The approach proved success in a number of ways: sense of local ownership and avoiding top-down implementation, allowed the BIR to be taken seriously as a professional security actor, common values were used to bridge the gap between abstract human rights standards and complex security reality on the ground, focus on the local context and practical situations ensured application in the soldier's everyday work.⁶

Azerbaijan

The Baku-Tbilisi-Ceyhan (BTC) pipeline spans Azerbaijan, Georgia, and Turkey and due to its size and impact, the BTC pipeline project had been the object of considerable international scrutiny by civil society organization and project lenders. The BTC project demonstrates the holistic approach to stakeholder relations, with the grievance mechanism as an integral part. The project has benefitted from having invested in civil society capacity building through an NGO monitoring programme during the construction phase enabling informed dialogue between the company and civil society over the years. BP has made efforts to maintain good relations with local communities with regular public meetings on security and human rights as part of the Intern-Agency Security Committee forum, which facilitates dialogue between BP, community members, and government security services. BP set up a company-community grievance mechanism for the BTC pipeline and the South Caucasus Pipeline (SCP). The mechanism is known as the Azerbaijan Pipelines Complaints Management Procedure, which allows locals to

⁵ IPIECA. 2012. "Indigenous Peoples and the oil and gas industry: Context, issues and emerging good practice" 2nd edition (London: IPIECA): 32-35.

⁶ DCAF and ICRC. "Case Study: Human Rights Training – Cameroon" *Security Human Rights Hub* (N/A): 1-2.

raise pipeline-related complaints directly with BP. A common complaint was the workers damaged existing infrastructure and land. For example, a contractor damaged the village water and sewage systems. In other places, construction has resulted in the erosion of riverbanks where pipelines are now exposed. BP's work in Azerbaijan has had positive influence on the culture of the oil and gas industry in the country as a whole. As part of the overall community engagement strategy, the grievance mechanism can be said to have had a positive impact on local people's awareness of their rights and willingness to seek resolution of grievances.⁷

Iraq

The Rumaila oil field is Iraq's largest oilfield situated in Southern Iraq. Since 2009, Iraq's state-owned South Oil Company had engaged with BP and PetroChina through a technical service contract to operate and modernize the oil field. BP has worked with the Iraqi government to ensure the VPSHR was embedded within the technical service contract. The provision of security for the field consists of a combination of contracted private security providers, Rumaila Field Security Officers and the Iraqi Oil Police Force (OPF) who are responsible for field access control and the protection of national infrastructure. The OPF control access to the oilfields, as well as deterring, detecting and responding to criminal and insurgency-related incidents. This case focuses on the Training Assistance Program with the public security provider, the OPF. With the assistance of Safestainable, they drafted a Training Agreement between Rumaila and the OPF, which clarified the scope of the future Training Assistance Programme and the anticipated roles and responsibilities. Once the agreement was signed, Safestainable was requested to operationalize the training concept, develop the course schedule and prepare the curriculums for a 3-year Training Program, under the guidance and with close support from the Rumaila Security Department. The success of the Training Assistance Program has been largely due to its sustainable approach and long-term commitment. OPF ownership of the Training Assistance Program is the key factor to the sustainability of the program, but equally the key challenge. Close collaboration between Safestainable and the Rumaila Security Department in the development of the Training Assistance Program and specifically the curriculum ensured that the realities of a complex and dynamic local context as well as the operational constraints facing the OPF were accounted for. The use of Arabic speaking training consultants, who combine human rights and police/military background, meant that candidates for OPF trainers could relate and easily engage with their trainers throughout the Train the Trainers selection process. Training delivery based on practical exercises, scenarios and role-play exercises and adaptive teaching methods to account for low literacy levels amongst OPF policemen proved essential to effective instruction.⁸

Nigeria

In Nigeria, some 200,000-250,000 barrels are stolen per day. In Nigeria, oil theft is committed by ethnic militias and warlords, typically with the involvement of high-ranking military and naval personnel, politicians, and oil executives. One arena in which CSR in the oil sector has been shaped by public pressure is in the 1990s over human rights and community development. Succession of military governments provided a cover for companies to avoid litigation, to

⁷ Wilson, Emma, and Emma Blackmore. 2013. "Dispute or Dialogue? Community perspectives on community-led grievance mechanisms" (London: International Institute for Environment and Development): 48-63.

⁸ DCAF and ICRC. "Case Study: Engagement with public security in Rumaila - Iraq" *Security Human Rights Hub* (N/A): 1-8.

circumvent responsibility for environmental damage and neglect the communities in which they operated. Revenue allocation distributed oil rents to the ethnic majority rather than to the ethnic minorities. As a consequence, the oil companies came to be viewed by locals as the government and companies assumed the role of community assistance. By the 1990s, the companies were co-funding the federal government's development agencies. The companies had little understanding of community politics and simply interacted with local elites, lacked transparency in their determination of oil spill severity and compensation rates, failing to negotiate the contested landholding arrangements, and used cash payments as a way to purchase consent. Shell's renaming of community assistance to community development in 1988 was intended to present a new face shaped by the World Business Council's CSR initiatives. However, this new approach lacked standardization, which compromised the exercise as powerful communities extracted huge monetary contributions and difficult community were given a memorandum of understanding with the content varying. By 2004, Chevron and Shell had admitted that their aid policies had actually fuelled violence and corruption. The Nigeria case highlights how the operations of oil can be generative not simply of conflict and violence, but of conditions in which human violations can thrive.⁹

The following are five case studies conducted by independent sources that dealt with security operations in the gas sector, looking at how the conflict unfolded and how it was responded to:

Indonesia

Since 1963, Papua (consisting of the provinces of Papua and West Papua) has received international attention as a point of political unrest. The extractive industry has been criticized by locals, NGOs and the international community following controversial projects which have not been benefiting local communities or indigenous peoples. There was skepticism surrounding activities by BP who acquired a major stake in a Liquefied Natural Gas (LNG) reserve offshore of Bintuni Bay in the westerly part of the island and began construction in 2005. Low-level community conflicts, local protests and unmet expectations have emerged as the main concerns for the company. The Tangguh Project is located in the crook of Bintuni Bay on the coast of West Papua. The main security issue facing the Tangguh operations is the potential for disputes between security forces, both those acting on behalf of the company and operating independently such as the local police, and local communities. In particular, there is the risk that security forces (both governmental and private) might use excessive force to deal with security incidents, therefore committing human rights abuses. BP insisted that all security forces operating in the areas of the project should recognize and respect human rights. One example of this has been the Integrated Community-Based Security (ICBS) model, which seeks to reinforce security and respect for human rights through partnerships involving local communities, the police and other stakeholders. As part of this effort, BP integrated the VPHSR into a Memorandum of Understanding—called the 'Field Guidelines'—agreed with the local police. Several years into implementation of BP's regionally tailored socio-economic programmes, there are already signs of improvements in prosperity, stability and dialogue in the Bintuni region. The main lesson of the experience of Tangguh is that dialogue and communications between all stakeholders are

⁹ Watts, Michael J. 2005. "Righteous Oil? Human Rights, The Oil Complex, and Corporate Social Responsibility" (Palo Alto: Annual Review): 398-401.

essential ingredients of successful conflict management.¹⁰

Australia

Woodside is Australia's largest independent energy company, producing liquefied natural gas, liquefied petroleum gas, condensate and oil. A substantial portion of Woodside's business activities covers operations and development opportunities in the remote Pilbara and Kimberley regions of northern Western Australia. In 2006, Reconciliation Australia, an independent, not-for-profit entity, launched the Reconciliation Action Plan (RAP) initiative. In 2009 Woodside developed its own RAP, which contained more than 30 commitments across the areas of relationships, respect and opportunities. Woodside has now been able to achieve all of the commitments in the 2010 RAP. Further to the inaugural RAP, Woodside has released the 2011–2015 Reconciliation Action Plan, which will underpin the company's efforts over the next five years to advance reconciliation within Woodside and the wider Australian community. Woodside has learned that a RAP is as much a process as an outcome, with the final document reflecting a wide range of collaborative input from the indigenous communities in which the company operates, as well as from indigenous and non-indigenous employees. Every commitment in this RAP, grouped under the headings of Respect, Relationships and Opportunities, is defined by a set of measurable goals to be achieved between now and 2015. These commitments build on achievements under Woodside's first RAP and are just the first steps on a long journey of reconciliation for Woodside. Woodside was the first Australian oil and gas company to develop a RAP, and views the Plan as integral to its business. It is a high-visibility reference framework and is becoming the foundation for key initiatives in indigenous engagement.¹¹

Bolivia

During 2008 and 2009, Talisman Energy engaged in dialogue with socially responsible investors related to indigenous rights and the concept of free, prior and informed consent. In response to this dialogue, Talisman commissioned the Corporate Social Responsibility practice group, to prepare a Report on the benefits and challenges related to the adoption and implementation of a corporate policy on FPIC. Talisman aimed to put in place measures to address community engagement issues, and support indigenous communities residing in areas where Talisman proposes to work. On 1 May 2006, the Government of Bolivia nationalized reserves and the exploitation of hydrocarbons through a Supreme Decree. This move had been preceded by the introduction of the Hydrocarbons Law, ratified February 2007, which sets out a detailed process for 'Consultation and Participation' of Indigenous Peoples concerning oil and gas developments. In November 2007, Total E&P Bolivie commenced exploration in the Ipati Block, inhabited by the Guaraní Indigenous People and other farmers. The main economic activity of both groups is agriculture and livestock; however there has been a history of conflict over land rights between them. The success of the project was due to strong relationships with local people, as they were aware of the potential impacts of the activities prior to the formal Consultation and Participation process. As a result of the process, Total E&P Bolivie agreed to provide compensation for impacts identified. The involvement of indigenous technicians as environmental monitors of activities eliminated prejudices about the company. By training locals to play a role in ensuring strict compliance with the environmental parameters, further mutual learning was achieved.

¹⁰ IPIECA. 2008. "Operating in areas of conflict: An IPIECA guide for the oil and gas industry" (London: IPIECA): 30-33.

¹¹ IPIECA. 2012. "Indigenous Peoples and the oil and gas industry: Context, issues and emerging good practice" 2nd edition (London: IPIECA): 42-43.

Relationships of trust come about through ongoing exchange of knowledge and experiences.¹²

Egypt

Egyptian LNG (ELNG) is a liquefied natural gas (LNG) company, its plant near the town of Idku required a secure and reliable source of clean water for its operations. Since the volume of water required was not available, ELNG studied various options. The company approached the municipal water facility serving the region, the Behera Water and Drainage Company (BWADC), about drawing water from the municipal system. However, the municipal water distribution network lacked capacity to supply ELNG with their needs and the upgrades needed were not in the budget. As a result, the new potable water capacity was ‘trapped’ at the treatment station and could not be distributed to either ELNG or the under-served communities. ELNG saw an opportunity to partner with the municipal water company for a common goal. The company determined that building a 315-mm polyethylene pipe would supply its needs. However, to improve supply to the nearby towns and villages, a 12-km, 700-mm cast iron pipe was installed with a 315-mm polyethylene pipe spur off this into the plant—at an additional US\$1.5 million. ELNG agreed to pay the full \$4.8 million, while the municipal water company agreed to contribute the engineering and construction workers, the machinery, legal permits, and ongoing maintenance. The Egyptian government designated ELNG’s facility a ‘Free Zone’, entitling ELNG to import manufactured goods tax free, as long as they were for its facility. The project has increased the water supply to the nearby towns and villages by 50 per cent, benefiting 405,200 users. The success of the project is due to the balanced engagement of private sector and public sector organizations. Additionally, the project delivered significant socioeconomic benefits such as good jobs and the transfer of skills.¹³

Russia

The Sakhalin-2 project, located off the eastern shores of Sakhalin Island in the Far East, has come under international scrutiny due to the extent of the its footprint. There has been a protracted conflict between Sakhalin Energy and the construction workers relating to the area around the liquefied natural gas (LNG) plant at Prigorodnoye in Korsakov District in the far south of Sakhalin, where the community of 80 dachas is located. The LNG plant has produced more than 5 per cent of global LNG, making them a key player in the Asia. Yet the plant itself and its surroundings are also a major source of unresolved social tension. The dacha owners of the Stroitel express concern about the environmental impact flaring from the LNG plant on their health and the food they produce. There has been a long-standing disagreement over the validity of the sanitary protection zone (SPZ) established around the plant. According to the company, communication and engagement with the dacha co-operative has been ongoing since 2003. However, the grievance mechanism is not able to resolve the dacha owners’ main demand, i.e. the conditions of resettlement, as this would require changes in legislation. There is a sense that the company’s activities will now always be perceived as potentially dangerous by the community however dangerous they actually are. This case illustrates how difficult it is for certain issues to be resolved, despite the operation of a grievance mechanism, especially when

¹² IPIECA. 2012. “Indigenous Peoples and the oil and gas industry: Context, issues and emerging good practice” 2nd edition (London: IPIECA): 20-23.

¹³ IPIECA. 2013. “Expanding a water pipeline network in Egypt” *Partnerships in the Oil and Gas Industry* (London: IPIECA): 32-33.

the concerns relate to legal issues that are beyond the capacity of the grievance mechanism to resolve, or where issues have been ongoing for a long time without resolution.¹⁴

Is there a difference between oil and mining? Yes, inherently by its acquisition and distribution. Is there a difference between oil and mining security practices? No, companies do not explicitly differentiate security practices based on whether it is oil or mining. The oil sector cases, in Peru, Cameroon, and Azerbaijan, all used approaches that focused on community dialogue and participation to address and respond to issues. Nigeria's case illustrates that without local-focused programs that attempt to understand the community working in, issues will indeed arise. The mining cases, in Indonesia, Australia, Bolivia, and Egypt similarly used dialogue and communication to manage conflict attempting to strengthen the community to deter conflict and tension. The case of Russia exemplified the difficulty of company function without taking accounts of community demands. Ultimately, both the oil and mining cases generally used the same approaches and practices. However, there should be more attention on the differences so sector-specific security initiatives can be explored, to see if it could provide a better outcome.

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¹⁴ Wilson, Emma, and Emma Blackmore. 2013. "Dispute or Dialogue? Community perspectives on community-led grievance mechanisms" (London: International Institute for Environment and Development): 84-105.