Strengthening the UNCAC to address corruption in the extractive sector

Submission by the Natural Resource Governance Institute¹
27 November 2023

Reducing extractive sector corruption to help advance sustainable development and tackle climate change

The extractive sector is one of the highest risk sectors for corruption, with the Organisation for Economic Co-operation and Development (OECD) having found that one in five international bribery cases come from this sector.² The United Nations (UN) has noted that corruption limits governments’ ability to collect appropriate levels of revenue from the global natural resource trade, a sector which the UN estimates has grown six-fold from $600 billion to $3.7 trillion in recent decades.³ This corruption also poses major challenges to global efforts to tackle climate change, promote sustainable development, and ensure peace, security, and prosperity.

- A boom in demand for minerals needed for the energy transition poses major corruption risks. The International Energy Agency (IEA) projects that meeting Paris Agreement goals will require at least a quadrupling by 2040 of demand for minerals used in technologies like solar panels, wind turbines, and electric vehicles.⁴ Past commodity booms have unleashed large waves of corruption. Fast-paced dealmaking and the promise of soaring profits increase the risk tolerance of private and public sector actors alike—all while regulators struggle to keep up.⁵ The history of mining is already riddled with inequity, by which elites have grown richer at the expense of local communities and nature. And large amounts of key minerals are in countries that rank poorly on Transparency International’s Corruption Perceptions Index.⁶ Action is needed now to address these burgeoning corruption risks, which threaten to both disrupt transition mineral supply and hinder a just energy transition.

¹ The Natural Resource Governance Institute (NRGI) is an independent, non-profit organization that supports informed, inclusive decision-making about natural resources and the energy transition. For more information, visit resourcegovernance.org
⁵ NRGI et al. (2022) Preventing Corruption in Energy Transition Mineral Supply Chains.
⁶ Transparency International Accountable Mining Programme (2022) What does the energy transition mean for the mining sector?
• **Vested interests in the fossil fuel sector may derail effective climate action.** Actors with stakes in fossil fuels may seek to manipulate or influence energy transition policies and practices in ways that advance their own private interests, rather than protect public wellbeing. Research from Influence Map has shown that the five largest publicly traded oil and gas companies spent over USD 1 billion on misleading climate-related branding and lobbying in the three years following the 2015 Paris Agreement. Some national oil companies (NOCs) are susceptible to being used by corrupt ruling elites for their own personal or political benefit. The climate implications of NOC actions are significant. NRGI’s research found that NOCs planned to invest more than $400 billion in costly oil and gas projects that will break even only if humanity exceeds its emissions targets and allows the global temperature to rise more than 2 degrees Celsius.

• **The extraction of natural resources, both legal and illegal, often contributes to violence, conflict, human rights abuses, and environmental degradation.** Corruption can make it more difficult to prevent, identify, or ensure accountability for some of the worst socio-environmental harms associated with the extractive sector. This includes harms which breach key international treaties and instruments, such as the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the UN Declaration on the Rights of Indigenous Peoples. Bribery, undue influence, and extortion can undermine Environmental and Social Impact Assessments, land access negotiations and agreements, community consultation requirements, and safety regulations. The revenues from extraction may also be used to fund violent conflicts by both state and non-state actors, such as paramilitaries, organized crime groups, and private military and security companies.

**Recommendations for addressing corruption in the extractive sector**

To address these challenges, NRGI calls on participants in the 10th UN Convention against Corruption (UNCAC) Conference of the States Parties (CoSP) to:

**Strengthen coordination between anticorruption and climate efforts:** Acknowledge that extractive sector corruption is an obstacle to effectively and equitably addressing climate change, and that good governance and anticorruption measures are central to achieve a just energy transition, including through coordinated action between the UN Framework Convention on Climate Change (UNFCCC), UN Environment Assembly, UNCAC, and other relevant international fora. Ensure that tackling extractive sector corruption is given dedicated attention in climate fora, such as the UNFCCC, Intergovernmental Panel on Climate Change, and UN Environment Programme (UNEP) agendas.

---

7 Influence Map (2019) *Big Oil’s Real Agenda on Climate Change*.
Improve legal frameworks, their implementation, and enforcement: Act urgently to implement stronger anticorruption measures targeting the nexus of extraction, the environment, and sustainable development – including in legislation and regulations, bilateral and multilateral partnerships, and trade agreements that address money-laundering, bribery, corruption, fraud, organized crime, and financial crimes.11 Give anticorruption and law enforcement agencies sufficient mandate, resources, training and capacity to effectively address corruption in the extractive sector, especially in connection with the award and oversight of contracts, concessions, and licenses, as well as growing risks linked to demand for minerals needed for the energy transition and the phaseout of fossil fuels.

Increase oversight of corruption risks in licensing, contracting and supply chains: Ensure actors and processes involved in the award and management of extractive sector permits, licenses, concessions and contracts are subject to robust integrity and transparency standards that reduce conflict of interest risks – including by prohibiting government officials and their close associates from holding interests in companies applying for and maintaining extractive sector licenses and contracts, and screening allocated licenses and contracts to determine whether or not such politically exposed person (PEP) interests exist.12 Reduce the use of agents and intermediaries as much as possible and adopt extensive controls for those that remain. Encourage efforts to publicly report on procurement processes, supplier identities, spending on suppliers and supplier taxation, and support downstream supply chain actors to integrate integrity checks into responsible sourcing and due diligence systems.13 To enable such efforts, promote transparency of information and open data on project-level contracts, payments, and revenues.

Ensure transparency and screening of beneficial ownership information for corruption risks: Ensure access to adequate, accurate, verified, and up-to-date information on beneficial owners of all legal entities, including all owners in a company’s ownership structure that meet the chosen criteria for beneficial owner – along with the identification of any PEPs holding ownership rights in the extractive sector, and use such beneficial ownership information in screening licenses and contracts, as noted above. Establish publicly available company and beneficial ownership registries that are freely searchable and easily accessible.

Support the rights and safety of anticorruption actors: Protect safety and civic space for environmental and human rights defenders and other civil society actors – especially Indigenous peoples, local communities, youth, and women – by ensuring that laws, implementation, and enforcement mechanisms protect freedoms of expression, association and assembly, the right to public participation, and Free, Prior, and Informed Consent. Actively support civil society actors to expose and combat extractive sector corruption via analysis, coalition-building, advocacy, investigation, training, and whistleblowing. Regularly monitor threats to whistleblowers, activists, journalists, and other civil society actors exposing and combating extractive sector corruption. Ensure UN and State-level processes are more accessible and transparent for civil society actors to facilitate reporting on rights violations, including by staffing dedicated focal points, by

11 NRGI et al. (2022) Preventing Corruption in Energy Transition Mineral Supply Chains.
standardizing operating and access procedures across focal points, and by considering accessibility to civil society in designing reporting mechanisms.¹⁴

About NRGI

NRGI is an independent, non-profit organization that supports informed, inclusive decision-making about natural resources and the energy transition. Most of NRGI’s team members are from—and based in—our focus countries and regions.

NRGI works to prevent harm resulting from corrupt practices, limit the space for corruption to take place undetected, ensure corrupt actors are held accountable. NRGI builds knowledge of corruption risks and advocates for comprehensive accountability and transparency measures. The organization supports country-specific anticorruption policy processes and international standard setting.

NRGI is a member of the UNCAC Coalition.