



FIRST PEOPLES WORLDWIDE

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Accounting for the Costs of Conflict

A new [report](#) by [Harvard University](#), the [University of Queensland](#), and [SHIFT Social Impact Solutions](#) revealed that “extractive companies do not currently identify, understand and aggregate the full range of costs of conflict with local communities.” The report developed a working typology of these costs (which included security, project modification, risk management, material damage, lost productivity, capital, personnel, reputation, and redress) and applied the typology to fifty instances of company-community conflict, for the purpose of exploring how “an understanding of the costs of conflict...might change the way companies engage with local communities around mineral and energy developments.”

According to the report, the most frequent costs “were those arising from lost productivity due to temporary shutdowns or delay”, the greatest costs “were the opportunity costs in terms of the lost value linked to future projects, expansion plans, or sales that did not go ahead”, and the “costs most often overlooked by companies were indirect costs resulting from staff time being diverted to managing conflict.”

Sources: [Wall Street Journal](#)

The Cost of Ignoring Cleanup

In January 2014, [Lukoil](#) was fined \$18.5 million for oil pollution in the Komi Republic of northern Russia. Although the fine was the largest of its kind in Russian history, Komi communities are demanding further actions against the company, with support from their local government. In April 2014, the Izhemsk District Council voted unanimously to support a moratorium on Lukoil’s activities, and established a special commission to investigate complaints against the company.

Greenpeace alleges that oil pollution in the Komi Republic has severely contaminated Komi lands, disabling them from earning a living through reindeer herding, hunting, fishing, and other traditional activities. Although the Komi no longer constitute the majority of the Komi Republic, their lifestyles render them especially vulnerable to the negative impacts of resource extraction. According to Bellona, a Russian environmental organization, the Komi's recent actions could change the dynamics between oil and gas companies and Indigenous Peoples throughout northern Russia. Other oil and gas companies operating in northern Russia include ConocoPhillips, ExxonMobil, Rosneft, and Royal Dutch Shell.

Sources: Moscow Times, Greenpeace, The Interpreter

Operating in Conflict Zones

In March 2014, the Caño Limón-Coveñas Pipeline, which transports crude from the Caño Limón field (operated by Ecopetrol and Occidental Petroleum) to the Colombian coast, was damaged by attacks by rebel groups. For over a month, U'wa communities prevented repair crews from accessing the damage, to demand restitution for the pipeline's negative impacts. The blockade is halting production of millions of barrels of oil, and costing the Colombian government \$8 million per day.

Since its construction in the 1980s, the Caño Limón-Coveñas Pipeline has endured hundreds of attacks from rebel groups, causing regular ruptures and oil spills on U'wa territories. Efforts to curb the attacks have also taken tolls on the U'wa; in 1998, a village mistaken for a rebel hideout was raided by security forces, killing eighteen people. According to a recent article in *The Guardian*, Indigenous Peoples “are among the most vulnerable during conflicts – particularly intrastate conflicts, where they can be trapped in the crossfire or represent one side. They are often victimized by both warring parties.”

When working in countries prone to political violence, companies should remember that oil and gas infrastructure is often attacked by rebel groups wanting to undermine the national economy. Aside from damaging profits, these attacks can devastate the livelihoods of communities, creating additional risks to companies.

Sources: Bloomberg, Colombia Reports, Reuters, Common Dreams

The Cost of Ignoring FPIC

For the second time, Taseko Mines Limited applied for judicial review of the Canadian government's rejection of the New Prosperity Gold Copper Project. In response, leaders of the Tsilhqot'in Nation asserted that "enough is enough. It is time to end the pointless pursuit of a bad mine and move forward. That's why the Tsilhqot'in will fight this second lawsuit." The Tsilhqot'in Nation opposes the project due to its environmental impacts to Fish Lake, and is supported by the Assembly of First Nations and the Union of British Columbia Indian Chiefs. Even Prime Minister Stephen Harper acknowledged that "the project, as previously and presently conceived, would not address the long-term destruction of [Fish Lake]."

Prolonging this protracted legal battle is a costly, complicated, and probably ineffective method of overcoming the high-profile resistance to the New Prosperity Gold Copper Project. Rather than forcing the project through the courts, Taseko should be leveraging a stronger focus on listening to the Tsilhqot'in Nation, and exploring methods of altering the project to better serve their mutual interests.

Sources: Intercontinental Cry, CBC

Operating in Conflict Zones

In April 2014, community leaders and environmental activists gathered at the Chico Vive Conference in Washington, DC, to discuss increasing violence towards Indigenous Peoples defending their land rights. For example, in Honduras, the coordinator of the Indigenous Advisory Organization of Rio Blanco was recently attacked by seven men, allegedly for organizing resistance efforts to hydroelectric dams. In Peru, a Shawi chief was assassinated two days before a meeting called for the purpose of demarcating Shawi territories. The chief had reportedly received threats from local "mafias" and "land traffickers" that opposed the demarcation process. Meanwhile, human rights groups in the Philippines are condemning the 163 extrajudicial killings that have occurred in the country since 2010. Many of the victims were Indigenous leaders opposing resource extraction on their territories.

Violence associated with political separatism and rebel groups tends to receive a larger spotlight than localized, smaller-scale violence involving disputed Indigenous land claims. Both types of violence can be directly or indirectly aggravated by resource extraction, and warrant extreme caution and deliberate attention from companies.

Sources: [Independent European Daily Express](#), [World War 4 Report](#), [Indigenous Peoples Issues and Resources](#), [Cultural Survival](#)

Addressing Cumulative Impacts

According to a recent study of Peru's forestry industry by the [Amazon Conservation Alliance](#) and the [Center for International Environmental Law](#), legal logging concessions are "enabling an illegal logging crisis in the Peruvian Amazon." Despite efforts to reform the country's forestry sector, "forestry permits are being widely used to launder timber illegally logged from outside concession areas... as a consequence, logging is not contained to concessions, and instead, it threatens all forested lands, including protected areas and Indigenous territories."

Roads, equipment, and other infrastructure associated with legal development activities can accelerate the onset of illegal development activities, especially in remote areas of countries with weak regulation schemes. This is an example of the cumulative impacts that resource extraction can have on Indigenous communities. To offset these impacts, companies could support efforts to curb the spread of illegal development activities in their areas of influence.

Sources: [Mongabay](#)

The Risks of Cumulative Impacts

Elected leaders of the [Fort Berthold Indian Reservation](#) are beginning to express concerns about the environmental impacts of oil drilling. While they maintain that oil drilling has economic benefits, they are calling for a greater focus on addressing the prevalence of flaring, oil spills, illegal dumping, and other environmental hazards on the reservation. According to tribal councilman Mervin Packineau, "Our economy is really looking good. But now it's time to turn around and start protecting our land."



Oil production on the Fort Berthold Indian Reservation now rivals that of several major oil producing states, and concerns about environmental impacts appear to be “mainstreaming” and warranting attention from a broader array of community members, including elected leaders. Some sources report that decades of oil reserves are left in the Bakken Formation, but community support is unlikely to be sustained for that long without improved collaboration between companies to address environmental impacts.

Sources: Crookston Times

Using International Forums to Engage Indigenous Peoples

In May 2014, Coca-Cola publicly denounced land grabs and urged governments to strengthen land rights at the UN Committee on World Food Security. Last year, the company agreed to adhere to the principles of Free, Prior, and Informed Consent (FPIC) across its operations, and to review its supply chain to ensure that it is not sourcing sugar from plantations acquired through land grabs. The company’s implementation of FPIC will be consistent with the Performance Standards of the International Finance Corporation, and will apply to all communities (not just Indigenous communities).

Simultaneously balancing the interests of governments and Indigenous Peoples poses a major challenge for companies, as appearing too close to one side can jeopardize relations with the other. International forums can provide a “safe space” for companies to show their support for Indigenous Peoples. Doing so does not fully satisfy companies’ obligations to communities affected by their operations, but it can offer a starting point, especially in countries where Indigenous Peoples are a sensitive issue to governments.

Sources: Oxfam

