



# **Voluntary Approaches to Environmental Protection: Lessons from the Mining and Forestry Sectors**

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# Voluntary Initiatives - the importance of reputation for the mining sector

- Companies want to protect their social license to operate
- Mining is a reputation sensitive industry (tailings dumps, abandoned mine sites, Ok Tedi, Baia Mare etc.)
- It needs worldwide credibility, legitimacy and social acceptance
- Reputation capital provides greater access to government, planning approvals, community acceptance etc.



## Range of different approaches

- Environmental reporting, codes of conduct, environmental management systems, certification schemes
- There is an important distinction between company and industry wide initiatives
- The former help to protect the reputation of individual companies, the latter aim at improving the reputation of the industry as a whole
- This presentation focuses on industry wide initiatives, involving collective action by companies

## Collective voluntary initiatives in the mining sector

- International Council on Mining Environmental Code, ICME charter, Australian Minerals Industry Code for Environmental Management
- Lack of clear and quantifiable targets, provisions for monitoring and enforcement and incentives to join has resulted in a lack of credibility and effectiveness in bringing about improved reputation
- The Australian Minerals Industry Code is a notable exception, as it has many of these features, but experience with implementation still too recent to provide a full assessment

# Certification schemes in the forestry sector

- Forest Stewardship Council set-up by multi stakeholder group under WWF leadership
- Involves certification of forests by approved independent certifiers
- Certified forest increased sharply over the last years, and about 10% of roundwood sold in UK is FSC certified now
- Benefits for companies are price premium, access to cheaper capital and insurance.
- Unclear if certification could be applied to mining, but a pilot project is under implementation by WWF and Placer Dome in Australia

# Free riding

- Two forms of free riding
- companies sign-up to an initiative but then only feign compliance
- companies refuse to sign-up to the initiative and still benefit from the positive reputational effect it creates
- from a policy perspective this poses a major problem
- voluntary initiatives cannot be expected to be an effective substitute to regulation by governments, as key driver - reputation - works only for the large, highly visible companies

## Opportunities resulting from VIs

- Voluntary initiatives can however be complementary to existing regulatory systems insofar as they provide companies with incentives to go beyond compliance
- When they include a certification scheme, which is awarded by an independent, credible certifier, they may generate market premiums, cheaper access to capital and insurance to companies
- Policy makers can use the reputational lever such as in the PROPER-PROKASIH programme in Indonesia, or in the OECD MNE Guidelines