

# Section 2

## Operational Guidance Charts



## Operational Guidance Charts

### Purpose

The Operational Guidance Charts give a very brief overview of possible company/conflict issues that can arise at the different stages of oil, gas and mining projects at both macro and project levels, showing the relevant stage of the Conflict-Sensitive Business Practice (CSBP) Guidance. They are included as an operational guide and attempt neither to summarise all the issues that can arise, nor convey full detail of CSBP Guidance, which is explained further in this publication, including practical steps and indications of the kinds of management resources required.

The CSBP Guidance is intended to begin from the earliest stages of a potential investment. For companies seeking to adopt CSBP part-way into a project cycle, an analytical team should be appointed to conduct a preliminary review assessing the level of the company's understanding of existing or potential conflict risks, the state of relationships with stakeholders and the effectiveness of risk management strategies. The team should then fast-track the Screening Tool, the Macro-level Conflict Risk and Impact Assessment tool (M-CRIA) and the Project-level Conflict Risk and Impact Assessment tool (P-CRIA) in order to revise management strategies in light of the conflict-sensitive perspective.

CSBP is designed to accompany the entire lifecycle of an investment, including additional concession areas that go into development later. Its steps are presented as a linear process in order to give approximate indications as to where each element is intended to be used. It is important to note, however, that its method is iterative and ongoing, requiring that regular analysis of conflict-risk issues and impacts informs project design as it unfolds, and that this analysis is kept 'live' to accommodate both internal (new phases of development, staff changes, etc) and external (elections, increased violence, a change in government, etc) shifts to the operating environment.

## A. Geological investigations/evaluating potential concessions to bid for or buy

### Typical activities

#### Oil and gas

Interaction with government authorities/other oil companies and review of geology, legal and commercial frameworks.

#### Mining

Interaction with government authorities, review of geology, legal and commercial frameworks.

### CSBP Guidance

#### Screening Tool

A rapid assessment to identify key conflict issues early in the pre-investment phase. The Screening Tool provides an initial analysis of the country and its conflict dynamics, flags key issues of concern and identifies the level of risk, as well as potential 'showstoppers'.

If a high conflict risk is identified, determine whether there is potential to operate in a way that it not likely to exacerbate conflict. 'Show-stoppers' relate to likely difficulties of operating within business principles on human rights, corruption and environment issues, or within international humanitarian and criminal law relating to war crimes and human rights abuses.

Involve environmental/social/conflict specialists into process of selecting and bidding for assets.

Review concession contracts and policies/procedures of government and potential partners including state-owned companies, and include conflict-risk mitigation clauses. Key issues are:

- Confidentiality clauses/public domain information/transparency of all payments and revenues
- Standards for environmental and social impact and/or conflict risk assessment and management standards relating to any involuntary resettlement
- Requirement for security arrangements to be consistent with the Voluntary Principles for Security and Human Rights and international law
- Provision for civil society involvement in monitoring environmental and social performance
- Ensuring that governments are required to provide finance for their share of projects from the outset.

**A. Geological investigations/evaluating potential concessions to bid for or buy (continued)**

Establish block or country-specific investment criteria and conflict-risk management strategies, defining conditions required for further investment, e.g:

- Development by government of a revenue management system
- Support from affected communities for the potential development.

Bringing home-country governments and international organisations into projects, via export credit financing in order to influence host governments can help achieve these criteria.

## B. Pre-feasibility

### Typical activities

#### Oil and gas

Exploration studies and surveys to plan exploration drilling within acquired concessions.

At this stage the company has paid any signature bonus associated with the contract, is developing a commercial strategy for the asset should exploration be successful, and also planning for exploration.

#### Mining

Various forms of exploration ranging from non-ground disturbing to major ground disturbing. Requires agreement of exploration permit with government.

### CSBP Guidance

At this stage the company needs to deepen its understanding of conflict risk issues and likely impacts through a **Macro-level Conflict Risk and Impact Assessment (M-CRIA)**, an expert-led national and regional level context analysis of conflict issues and stakeholders.

This explores issues of concern raised by the Screening Tool and identifies potential interactions of the project. For example, extractive industry investment may bring with it a risk of 'Dutch Disease', further entrenchment of corrupt or repressive regimes and the possibility of violent political competition for control of the enriched state.

M-CRIA involves engaging with key stakeholders at the national level to deepen understanding, start building relationships and identify potential partners for future conflict-risk mitigation initiatives.

The **Project-level Conflict Risk and Impact Assessment (P-CRIA)** should also begin. Building on the understanding of conflict generated thus far, P-CRIA takes analysis of the potential interactions between the project and its context to a deeper level. Including processes for participatory analysis and decision-making with stakeholders, this tool helps companies to build trusting relationships and design shared actions that prevent conflict and build peace. Such an approach is necessary even during pre-feasibility since the company has unavoidably become part of any existing or potential conflict context from the moment the first geologist stepped into the locality. It will, however, be 'light' at this stage, addressing the impacts and conflict issues around exploration itself.

## B. Pre-feasibility (continued)

As part of CSBP, companies should at this stage:

- Provide information in any areas where fieldwork is undertaken about the planned survey work, what it involves, when it will happen, the expected duration and processes for making 'next step' decisions
- Set up a conflict-risk management system as early as possible to address issues such as: temporary land acquisition; induced access management; cultural resources; use of natural resources; and consultation and communication
- Establish a 'promise register' to track all staff engagement with local communities: this accountability helps avoid future misunderstandings
- Set up codes of conduct between companies and contractors, or companies and state security forces, to ensure that exploration activities do not adversely impact people living or working in the area. Such arrangements should be shared locally and monitored regularly.

Consult Flashpoint Issue papers for further guidance on Stakeholder Engagement; Resettlement; Compensation; Indigenous Peoples; Social Investment; Dealing with Armed Groups; Security Arrangements; Human Rights; Corruption and Transparency.

## C. Feasibility

### Typical activities

#### Oil and gas

Exploratory and appraisal drilling.

This stage aims to assess and quantify if there are commercially viable reserves. For onshore concessions, exploration and appraisal drilling is the first stage at which there is an extensive local footprint. Where concessions are offshore, the on-shore footprint may still be much smaller and limited to logistics support activities only.

#### Mining

In-depth investigations to estimate the amount of exploitable ore, extraction costs and sales price.

In-depth risk assessment including: company's capacity to manage operation; social impact assessment and management plans; extended consultation; closure plans; feasibility report; and mine design.

### CSBP Guidance

M-CRIA and P-CRIA continue through feasibility, with conflict-risk mitigation steps underway to address some of the issues surfaced, for instance through pressing for revenue transparency and management systems. The participatory analysis component to assist P-CRIA analysis and early impact identification should be underway and deepen in relevant areas.

Conflict issues at this stage could include:

- Land use: relocation, resettlement and compensation
- Environmental/natural resource impacts
- Demands on existing infrastructure
- Inadequate information/consultation
- Security arrangements
- Anxiety about distribution of benefits
- In-migration/behaviour of incomers
- Opportunities for extortion/theft financing violent groups
- Contested rights to exploration.

This is a key stage for making conflict-related 'no go' decisions, in light of the 'showstopper' issues raised initially in the Screening Tool, understanding of which will have deepened through M-CRIA and P-CRIA.

Conflict-risk mitigation strategies at both macro and project levels will influence core business project design at this stage, and include interventions through social investment and policy dialogue, in partnership with other stakeholders.

Consult Flashpoint Issue papers for further guidance on Stakeholder Engagement; Resettlement; Compensation; Indigenous Peoples; Social Investment; Dealing with Armed Groups; Security Arrangements; Human Rights; Corruption and Transparency.

## D. Field development/construction

### Typical activities

#### Oil and gas

This is the stage when the development of the field is planned in detail and then executed.

Includes deciding where temporary and permanent facilities will be located and the route of pipelines, hiring contractors to supply equipment and undertake construction.

Environmental and social impact assessments and associated studies on oil spill and emergency response planning, resettlement and compensation plans will be completed. Decisions about location and further development of impact mitigation and management plans are underway.

On-shore activities reach a peak of visible activity and include:

- Site preparation
- Well heads
- Separation/treatment facilities
- Power plant
- Increased oil storage
- Facilities to export product
- Flares
- Gas production plant
- Accommodation
- Infrastructure
- Export facilities (usually port)
- Drill rigs.

#### Mining

Construction of mining, processing and waste disposal features.

- Engineering of mine structure
- Construction of infrastructure and facilities, including power and water to the mine, and waste from it
- Processing facilities
- Construction camp.

### CSBP Guidance

M-CRIA and P-CRIA continue through field development and construction, with P-CRIA moving into deeper phases of participatory analysis with primary, secondary and indirectly affected stakeholders.

Effective communications strategies, both internal (to ensure that all relevant areas of the business, including geologists, political risk and security managers, staff from external relations, procurement and human resources departments, and management are involved in CSBP); and external (to ensure accurate information about project timing, employment creation, size and timing of government revenues is shared, and stakeholder consultation processes are underway) must be in place at this stage.

Conflict issues can include:

- Behaviour of contractors and security staff
- Infrastructure demands and development
- Environmental impacts of development
- Employment
- In-migration
- Construction camps
- Resettlement
- Community compensation
- Cash injections to local economy.

CSBP analysis thus far will enable an initial conflict-risk mitigation strategy at both levels to be developed to address issues across business activities. This should be reflected in work plans and schedules, and could include:

- Agreements with contractors including security staff that incorporate conflict-risk mitigation components
- Preference for local employment/suppliers
- Establishing community relations communications infrastructure



- Capacity development for central and local government particularly with regard to revenue transparency
- Conflict-sensitive social investment projects that address conflict-risk issues and respond to genuine needs
- Development of outline exit strategy ensuring that community dependence is avoided.

Consult [Flashpoint Issue papers](#) for further guidance on Stakeholder Engagement; Resettlement; Compensation; Indigenous Peoples; Social Investment; Dealing with Armed Groups; Security Arrangements; Human Rights; Corruption and Transparency.

## E. Operation/ production

### Typical activities

#### Oil and gas

For both onshore and offshore projects this is the stage at which there is likely to be less visible activity than was the case during construction.

Typically government revenues will be low during initial years of production because exploration and development costs are being offset, but they will then start to rise.

In many cases, fields are developed in stages, or other exploration blocks are let nearby, so that alongside production in some areas there is exploration or development activity also being carried out.

Accompanying production, this is the stage where the greatest concentration of social investment activity typically occurs.

#### Mining

Mining and processing, open pit or underground; drilling; blasting, hauling; possibly smelting or refining; tailings disposal.

Accompanying mine operation, this is the stage where the greatest concentration of social investment activity typically occurs.

### CSBP Guidance

Comprehensive conflict-risk management strategies at both macro and project levels addressing core conflict issues in partnership with others are well underway, with both M-CRIA and P-CRIA regularly updated to ensure this remains relevant and effective.

At the project level, avoid rewarding negative behaviour or violence and maintain open lines of communication with affected stakeholders at all times.

The M-CRIA and P-CRIA analyses and mitigation design, and CSBP Guidance in particular on social investment, will ensure that companies not only seek to 'do no harm' through their activities but are actively seeking opportunities to contribute to peace through all areas of their operations.

Consult [Flashpoint Issue papers](#) for further guidance on [Stakeholder Engagement](#); [Resettlement](#); [Compensation](#); [Indigenous Peoples](#); [Social Investment](#); [Dealing with Armed Groups](#); [Security Arrangements](#); [Human Rights](#); [Corruption and Transparency](#).

## F. Closure/decommissioning and rehabilitation

### Typical activities

#### Oil and gas

Decommissioning and rehabilitation can occur after each of the above steps if wells prove unviable, or other risks are realised:

- Plug wells
- Demolish and remove installations
- Restore site.

#### Mining

Closure and rehabilitation:

- Mine decommissioning
- Dismantling of buildings and infrastructure.

### CSBP Guidance

If the country's economy has, in the absence of coordinated efforts to promote diversification, depended on extractive industry production, closure is likely to pose threats to the central budget and, potentially, stability. Conflict can also arise from community anxiety and frustration with both company and government; and, within communities, as a result of demographic changes and power shifts caused by the investment.

When the long-term production profile is clear and timing of closure and decommissioning can be forecast, start internal and external consultation on managing the social impacts of closure. Closure plans should be developed well in advance, and follow the principles of P-CRIA, with full participation of all affected stakeholders and in line with international best practice.

Figure 1: Illustration of CSBP Guidance

