

What banks are overlooking when financing mining for transition minerals in SA

Are banks doing enough on human rights and environmental concerns, particularly in light of financing mining for transition minerals in South Africa? A new briefing provides some answers.



Source: Wikipedia. Lithium chemicals, a transition mineral seen here in oil, is set to [grow](#) in demand by 700% by 2050, a growth that will be spurred on by the manufacture of electric vehicle batteries.

Financing is pouring into the mining industry in South Africa, which is home to significant deposits of some of the world's most strategic minerals needed to power the energy transition. However, new analysis has revealed banks linked to companies extracting these crucial transition minerals are in fact overlooking serious human rights and environmental concerns.

In a [report](#) published on 26 April 2023, the Business & Human Rights Resource Centre analysed the human rights commitments and actions of 15 banks (five local and 10 international) linked to the mining of transition minerals in South Africa.

The research revealed these banks are not taking adequate measures to avoid contributing to abuses in this particularly risky sector. The increased demand for transition minerals poses a significant threat to local communities, including lack of access to water and exploitation, which are likely to be more severe if the communities have not been adequately consulted prior to the extraction.

If the abuses of the fossil-fuel sector and poor human-rights practices associated with South Africa's traditional mining sector are replicated, the urgently needed clean-energy transition will be derailed.

Despite this, of the banks surveyed for the report:

- Over 80% (12 out of 15) have a policy or public statement to respect human rights. This commitment, however, is not complemented by specific policies and procedures to address the most salient risks in the mining sector.
- None have a clear requirement for their clients in the mining sector to respect Free, Prior and Informed Consent (FPIC) of communities in all circumstances. Eight international banks mention FPIC, but only in relation to project finance.
- None of the local banks have specific human rights due diligence policies regarding the mining sector covering both corporate and project finance services, only one has 'some consideration' of human rights due diligence.
- Of the 10 international banks surveyed, only three have clear exclusion policies in place based on poor track records of human rights or environmental abuses, while locally only one of the five banks has such a policy.
- Only four of the 10 international banks have a clear cross-sector commitment to provide remedy when associated with human-rights harms, while none of the local banks have such a policy of commitment.



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The report stresses the importance of banks needing policies and due-diligence procedures in place to address the most salient risks of the mining sector, before providing corporate or project finance services.

It also recommends banks use their leverage to condition access to corporate finance on companies' having a robust approach to human rights, which must be accompanied by capacity from the banks to undertake adequate risk analysis which includes environmental and social risks.

A race to greener energy resources

Manson Gwanyanya, representative for southern and anglophone West Africa at the Business & Human Rights Resource Centre, said: "Banks financing transition mineral mining in South Africa have a unique opportunity to shape our energy transition in a positive way.

"The mineral-rich country is certain to play a pivotal role in the race to achieving greener energy sources across the continent, but the serious human rights and environmental concerns associated with its mining industry cannot be repeated.

"We have seen time and again how ignoring the rights of local and indigenous communities has stalled mining projects. As mineral demand to power green energy technology increases, banks must ensure they are using their unique leverage over mining companies to demand a sector that is not riddled with replicated abuses from the fossil fuel sector.

"This is not just the right thing to do – banks have a responsibility under the UN Guiding Principles on Human Rights. Before providing corporate or project finance services, it is crucial they implement robust policies and due-diligence measures which address the risks of the mining sector. Without doing so, they risk derailing mining projects – as well as slowing down the energy transition which our world so desperately needs."

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