

May 7, 2021

Financing for Development in the Era of COVID-19 and Beyond Initiative

GLOBAL ROUNDTABLE ON EXTRACTIVE INDUSTRIES

25 May 2021

9:00-11:30a.m. EST

In the past year, the COVID-19 pandemic evolved from a health crisis to become the worst global economic and development emergency in over one hundred years. It has wreaked havoc across the world, leaving no country, population or sector unharmed. Extractive industries, especially in the coal, oil and gas sectors, are no exception, and current trends in the sector could well determine the capacity of many countries to invest in recovery and achieve the 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change.

Starting with the industrial revolution, our global economic system has been underpinned by the extraction of natural resources – notably fossil fuels – which accelerated the development trajectories of many advanced economies. In recent decades, extractive industries also have become a driver of economic development and an increasingly important component of the economies of many developing countries, many of which are highly dependent on extractive industries for foreign exchange earnings, foreign direct investment (FDI) and government revenues.

Extractive industries can generate significant revenue for producing countries, creating major opportunities for growth for resource-rich countries and spearheading national programs to fund the Sustainable Development Goals (SDGs). Yet extractive industries have also been mired by economic, social and environmental costs. Governments have not always been able to collect appropriate levels of revenue from extractive industries, a problem often compounded by lack of financial transparency, corruption, and illicit financial flows. Exposure to price volatility has increased the vulnerability of exporting countries to economic cycles and

repeated downturns, which in turn has often led to the “resource curse”, particularly as many countries over-accumulate debt in boom years, resulting in debt payment problems when prices slump during periods of bust, unless governments have built fiscal buffers. This in turn constrains efforts to support poverty reduction and sustainable development.

Some extractive industries are also increasingly incompatible with the science of climate change. The Paris Agreement calls for holding the increase in global temperature to an average of 1.5 degrees Celsius above pre-industrial levels. According to the International Panel on Climate Change (IPCC), meeting this goal requires global net emissions by 2050 and reducing global emissions by at least 45% below 2010 levels by 2030. According to the IPCC, to keep the 1.5degree goal within reach, coal use must decline by 80% below 2010 levels by 2040 and be phased out by 2050. Other significant environmental impacts include pollution, industrial accidents, resource consumption, and biodiversity impacts.

As the world moves towards decarbonization, policy-makers must better understand where assets may become stranded, or lose economic significance, and provide support to enable countries to develop adequate policy and regulatory responses.

In addition, in a highly masculinized industry, women form a minority of the workforce and are more exposed to environmental and economic hazards. Together with indigenous and other impacted local communities, women are largely excluded from the decision-making and benefits of the sector. In addition, in many developing countries extractive industries’ activities have

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hampered the ability to achieve the SDGs, such as by employing children in mine extractions at the cost of their education.

The COVID-19 pandemic has further deepened these challenges, as countries reliant on the extractives sector have struggled to cope with rising debt burdens, constrained fiscal environments, and plummeting commodity prices, particularly affecting the mining, oil and gas sectors in early 2020.

While the trajectory of mining, oil and gas has since recovered, and many metals are now above their pre-pandemic levels, expectations are now high that an acceleration of the green energy transition, buoyed by COVID-19, along with a demand for electric vehicles, will also raise the long-term demand of metals, and propel an industry transition consistent with living within planetary boundaries.

Encouragingly, the crisis has also been accompanied by a significant reduction in the cost of renewable energy, providing a unique opportunity to transform the sector by investing in clean and renewable energy and technology, adopting circular economic practices and redistributing the benefits of the industry more equitably. A number of critical raw materials (CRMs) needed for the renewables revolution are also found in low-income countries, creating a 25-year window for these countries to use them to create more diversified and sustainable economies. COVID-19 stimulus packages and international finance that is fully aligned with the SDGs and Paris Agreement can provide much-needed support to producing countries, including those who are still heavily reliant on coal and other fossil fuels, to accelerate the transition from fossil fuels to renewable energy and secure a just transition to a low carbon, resource efficient and circular economy.

As a result of the immense and deep impact of COVID-19 on economies, societies, and industries, a moment of reckoning has now occurred, in which many stakeholders are calling

for a more sustainable, resilient, and inclusive world order. The question is, how can we capitalize on these changes and the current moment to transform extractive industries into an engine for sustainable and inclusive development and manage the transition out of unsustainable sectors in a fair and just transition?

The Regional Roundtables as building blocks for the Global Roundtable

Over the past five months, a series of regional roundtables have taken place in collaboration with Regional Economic Commissions, with support from the Climate Action Team of the Secretary-General and UN entities working on extractives, including UNDP, DESA, UNCTAD, and UNEP. These roundtables featured Heads of State and Government, high-level Ministerial representatives and a wide range of private sector, academic and civil society actors to co-create solutions of the challenges ahead. The substantive outcomes from these roundtables informed the first-ever policy brief by the Secretary-General on extractive industries and wider initiatives on financing for sustainable development.

The Global Roundtable will assess the key recommendations outlined in this brief and identify concrete actions and recommendations that can be implemented at the global, regional, and national levels, guided by a just transition and the goal to leave no one behind.

The event will call for concrete solutions on six pressing issues:

1. Phase out coal production and secure a **just transition to renewable energy** with decent work and quality jobs for all, that benefits vulnerable groups, including women, youth, and indigenous communities.
2. Secure and align **public and private finance** with the SDGs and the Paris

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Agreement on Climate Change and end fossil fuel subsidies.

3. Ensure that revenue from extractive industries is invested in local populations and **long-term sustainable development**.
4. Integrate a **circular economy** approach throughout the extractives sector.
5. **End the local and global environmental and social damage caused by extractive industries**, including by bolstering transparency and traceability of global value chains.
6. To ensure a just transition, **facilitate technology transfers and availability of data and data collection technology** for all.

The outcomes of this Global Roundtable will also be carried over into future engagements, including through a new Working Group on

Extractive Industries among Member States, and translated into action on the ground in a set of pilot countries to be identified, and which will be supported by the Regional Economic Commissions (RECs).

Participants

Led by the United Nations Secretary-General, the following stakeholders will be invited to participate in the Meeting:

- Heads of State and Government, High-Level Representatives at the Ministerial Level;
- Leaders from the private sector, civil society and indigenous peoples, youth, academia, and think tanks;
- The Executive Secretaries of all five UN Regional Economic Commissions and the Special Envoy of the UN Secretary-General on Financing the 2030 Agenda.

Global Roundtable on Extractive Industries, 10 May 2021, 9:00 am – 11:30 am EST Draft agenda

Opening session	Opening remarks by Mr. António Guterres , United Nations Secretary-General	5 mins
High-Level Plenary Session	Keynote addresses by Heads of State and Government	45 mins
Moderated discussion	Panel 1: Governance, transparency, financing for development, and economic diversification Private sector, experts, civil society	20 mins
Moderated discussion	Panel 2: Social inclusion and a just transition to sustainable systems Private sector, experts, civil society	20 mins
Moderated discussion	Panel 3: Green and circular economy, natural resource management, technology and innovation Private sector, experts, civil society	20 mins
Closing Roundtable	Financing the Way Forward	30 mins
Closing session	Closing remarks by Ms. Amina Mohammed , Deputy Secretary-General, United Nations.	5 mins