



Extractives Hub

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The Extract - June 2019



Centre for Energy, Petroleum
and Mineral Law and Policy
University of Dundee



This, the June 2019 issue of the Extract, focuses on the key issue of coal.

Coal mining and burning is still very much with us. This fact, uncomfortable in the context of climate change action and any low-carbon energy transition, was emphasised with both force and clarity at the Extractive Industries Transparency Initiative (EITI) Global Conference held in Paris (EITI Paris 2019) this month.

We are pleased to bring you, in this newsletter issue, a full interview conducted with Professor Tony Addison of the United Nations University (UNU) - WIDER on this topic. Prof. Addison was one of the main rapporteurs at EITI Paris 2019.

EITI Paris 2019 was one of three extractives events that the Extractives Hub project team presented at in June 2019. Alongside that Global Conference, the team also presented on Local Content issues to the 2019 worldwide alumni conference of the University of Dundee/ CEPMLP and to the Dundee Energy Forum 2019 (DEF 2019).

The image below left shows the Nigeria EITI (NEITI) presentation at EITI Paris 2019 so ably delivered by one of the Extractives Hub's two Nigeria Champions, Chinenye Okechukwu, who is a senior employee of NEITI's within its Technical Department. The image below right, taken at the same event, shows Bash Mohammed Abdul-Razak, National Coordinator of the Ghana EITI, in the deep orange shirt, and the Extractive Hub's Daniel Gilbert, in the striped shirt.



Both the DEF 2019 and the alumni seminar are reported on below. With respect to the EITI Global Conference, the project engaged fully in the main plenary, break-out workshops and discussions (e.g. regarding energy transitions) and specific-country discussions, not least with respect to potential future arrangements for Extractives Hub technical assistance support in Afghanistan.

Dundee Energy Forum 2019 (DEF 2019)

Organised jointly by the Centre for Energy, Petroleum and Mineral Law & Policy (CEPMLP) of the University of Dundee and the International Energy Forum, Riyadh, the 3rd Dundee Energy Forum debated the Future of International Energy Cooperation in the light of New Concepts of Sovereignty.





Over two day and in thematic panels, the Forum addressed key questions arising from this antimony: What are the incentives to cooperate in this dynamic setting and what can international organisations do to govern, encourage or shape this cooperation? How can it be financed/funded? What are the consequences of energy transitions for international development and transnational energy markets? And how can this intention be translated into well-coordinated effective policies on the full range of low-carbon technologies under the universal climate action.

The critical consideration of coal, alongside other sources of primary energy, formed a central part of DEF 2019, not least with respect to the changing situation in China further to a lively and informative presentation by Professor Xia Cao of Shanxi University.

The Forum sought to move from intentions and ideas into the practice of a cooperative, global energy transition; stimulating discourse among key players. It was attended by representatives of international organisations, including the Secretary-Generals of OPEC, the International Energy Forum, and the Energy Charter, governments, the corporate sector and academia.

The Extractives Hub project held four highly interactive Hub "Spotlight" sessions at DEF 2019 at which the project was presented and discussed. These sessions were led by Prof. Peter Cameron (see above, top right) and Mr. Daniel Gilbert (both: CEPMLP), Dr. Gokce Mete (Energy Charter Secretariat; see above, top left) and Ms Naadira Ogeer (Commonwealth Secretariat; see above, below left).

DEF 2019 also included a visit to the world-famous V&A Museum of Design Dundee, see image bottom right - as visited by CEPMLP alumnus Sam Ahanya from Uganda, on the occasion of his return visit to Dundee this month.



From June 12th to 14th 2019 CEPMLP Alumni from around the world gathered in Dundee for a first-time international reunion to network, reconnect and celebrate.

A central focus of the reunion was the Resource Nationalism and Local Content seminar held on June 14th.

This was divided into three sessions:

Session 1 focused on the established body of knowledge and new thinking explaining the phenomena, and was led by CEPMLP academics.

Session 2 was multi-sectoral and alumni-led, and additionally considered international trade perspectives.

Session 3 featured talks on the Business Case for working through alumni groups for success.

The Seminar provided an opportunity for improved understanding of the best practices, local applications and collaborative options available for approaching local content matters in Energy, Oil & Gas and Mining Markets.

Daniel Gilbert, CEPMLP alumnus and Extractives Hub project team member, presented on the topic of Local Content in the fossil fuels sector, including (as per the multi-sectoral range of Session 2) both coal and petroleum. His presentation covered a range of UK AID focus countries, including Kenya, Uganda and Sierra Leone.

In doing so, he showcased the work of the project with respect to the [Local Content topic](#), in particular both the online free library of resources and the core reference text published by the Extractives Hub project.

Thanks are due in very large part to CEPMLP alumnus Feso Bright, MBA (Distinction), & of Nigeria's National Petroleum Investment Management Services, for taking the

leading role in organising and initiating both this alumni seminar and the whole alumni
week - engaging with c.500 CEPMLP alumni globally in person and
online: [#cepmlp500](https://twitter.com/cepmlp500)

Indian Coal



CEPMLP alumni Daniel Gilbert (Extractives Hub project team), Dr. Geoff Wood and Pooja Chatterjee are pleased to announce the forthcoming publication of a Palgrave Macmillan book chapter: a “long goodbye” to Indian coal. The analysis considers the impact of low-cost renewable energy sector in India steadily out-competing coal in the market place, and further difficulties specific to coal in India, such as: high cost of coal imports, high ash content of domestically-mined coal, insufficient transport capacity, illegality and poor governance, stranded assets, choking air pollution linked to coal, and the Indian Government’s clear, if fairly recent, leadership role among developing countries on climate change.

However, and partly due to “King Coal’s” longstanding incumbency as the dominant constituent of India’s energy (specifically, power) mix, and partly due to overall rapidly increasing electricity demand and population-coverage in India, coal remains entrenched in the country.

Hence, India remains the second largest coal consumer after China globally and the third largest importer of coal globally, despite mining more than 567 metric tonnes of coal in 2017/8, representing an increase of more than 2% on the previous year.

Dr Geoff Wood, a CEPMLP alumnus now teaching at the University of Stirling and the lead editor of this book, has confirmed the publication month to be October of this year.



Prof. Tony Addison is Chief Economist and Deputy Director of United Nations University World Institute for Development Economics Research (UNU-WIDER) in Helsinki, Finland; he spoke exclusively to the Extract on the occasion of the EITI Global Conference 2019, held in Paris, June 2019.

Speaking at the EITI Global Conference in Paris 2019, Prof. Addison placed ethical considerations at the heart of his talk, emphasising the positive role that carbon pricing could play in supporting a global clean energy transition away from coal, the importance of climate financing to support developing countries make that switch, and considerations of equity whereby richer countries give up coal before poorer ones.

As he noted, climate change is already happening now, and the global climate emergency is already with us.

He confirmed the seriousness, not least from a fiscal and economic standpoint, of coal stranding, identifying that three quarters of the

Specifically regarding South Africa, which is either (there is currently some debate..) the continent's largest or second largest economy, Prof. Addison explained that:

“South Africa is very reliant on coal production, the mining sector itself in South Africa it uses a lot of coal, for energy generation ,it needs enormous supplies of electricity and that's a big issue for the mining companies in South Africa because Eskom, the electrify provider, is under, all sorts of difficulties in ensuring a reliable supply of electricity and power shortages are not something you want in the mining industry for platinum and other metals, and indeed, now the mining industry in South Africa is encouraging the government to let it set up its own renewables plants - it

world's coal reserves could be stranded, on climate grounds, under one Paris climate scenario.

From an economic standpoint, and with the market left to its own devices, he noted that higher cost coal basins would be the first to drop out of production, i.e. strand, and these include many in developing countries.

Lower cost basins, including those in the developed-world, would, all other things being equal, become the last basins regions still producing.

Likewise, the amount of climate finance actually that will be paid to developing nations to help them divert from coal, as opposed to pledged to them for that purpose, remains an unknown.

Such inequity is a topic that the Professor returned to later that morning, in an exclusive interview with the Extract.

Reflecting on his own family experience, he noted:

"I am the son of a coal miner, I am the first in my family not to have actually gone down a coal mine to work, my father started in the pits of County Durham (UK), and as an apprentice carpenter at the age of 14 in 1930, he was an electrical engineer eventually. Our family then moved to Australia and my dad worked for (mining giant) BHP, a big iron ore producer, so sort of mining is in our family. So, rather than digging the stuff out I now work on the analysis of the sector and its impact on the developing world.

I must say that the UK experience does raise a fundamental issue about coal, which is, you know, that in the 1a80s the UK went through an immense conflict between the coal

wants to produce more solar, in particular, into its own energy production mix, the government is somewhat reluctant because of issues around Eskom which is carrying an enormous amount and of course needs all of the demand that it can get. So getting coal out of the system is really difficult."

Continuing his southern African focus, but this time regarding the five year-old rail corridor linking Nacala international port to the interior coal-mining province of Tete province, a railway that crosses through southern Malawi en route, Prof. Addison observed that:

"It is (a driver for the Mozambican economy) to a degree. We are doing a lot of work as an institute (at the UNU - WIDER) on Mozambique and in particular diversifying industries.

We are very keen on corridor development, and creation of further industrial corridors. Obviously though, as Mozambique itself moves out of coal, and finds less of a market for it, that will affect the viability of the corridor itself. Really the challenge for the Mozambican government is to develop light manufacturing, to invest the resources rents that it has from coal in agriculture, which has tremendous potential, particularly in terms of poverty reduction, and to move in that direction quite fast. The difficulty for Mozambique, though, is that the bandwidth within government is quite limited, I mean they are very focussed on gas at the moment as a policy issue, for very good reasons."

Moving on from Africa, Prof. Addison made the following observations regarding the two economic giants of Asia, namely China and India:

mining communities and the government of the time led by Margaret Thatcher and it was all about shutting down pits and it was all about moving on from coal and it met enormous resistance from coal mining communities and really they got very little help and many of those coal mining communities today are still in distress - not much in the way of employment came back in, and they weren't helped.

I flag this issue up because if we are going to help the developing world to move out of coal, then we have got to help communities in India, that produce coal, move out of coal, and this is an enormous social issue for them.

You are not going to get the politics of the issue to work effectively, unless you really put in place social protection for those communities, help them adjust to new livelihoods and so forth.”

Likewise, Prof. Addison also turned back to the topic of carbon pricing in his interview:

“In the UK we are all congratulating ourselves because we have frequent media reports about how many days the UK has gone without coal burning consumption in the electricity system but in the developing world coal is still out there in the system and indeed one of the largest coal fired plants I believe is now being built in Egypt with Chinese assistance.

Coal unfortunately is still very much in the game, until we get carbon pricing and so forth and other measures.”

Further to this discussion of Egypt, as supported by China, Prof.

- Coal is “a big feature of energy generation certainly in India and certainly still in China, although China is in the middle of a coal to gas transition in electricity generation and indeed is accelerating its renewables there are enormous numbers of legacy coal plants still in operation.”
- “India is of course a particular challenge and we know all the stories about particulate pollution in the big cities of India as we do in China, so it is not just a climate change issue, it is also an air quality issue, it is an issue about our lungs as well.

In conclusion, this issue of the Extract invites its readers to consider Prof. Addison's remarks quoted below, the final one of which is a clarion call for action in favour of a global energy transition and away from coal:

- The coal “sector offers a tremendous development opportunity that is going to get you billions of dollars in revenues, far more than you are going to get in foreign aid. So the potential for the sector to contribute to poverty reduction, social spending and indeed livelihood development through shared infrastructure is potentially enormous. But we know that too often we have great difficulty in bringing that potential to fruition, and there are many countries notably Venezuela, the DRC and so forth which are very unhappy stories as regards the extractives sector.”

Addison then refocused the discussion on the strength of thermal power demand and generation across Africa:

“We know that, certainly in Africa, nearly all countries have substantial mining and/ or fossil fuel sectors, particularly natural gas. We are doing a lot of work in Mozambique at the moment which is a big natural gas producer and which has also got coal. We are also doing a lot of work in South Africa with the government, which has also got coal. We are active in other parts of the developing world. So we know that countries have many issues in managing the natural resource sector and indeed the phrase Resource Curse is on everybody’s lips”.

- “One blunt fact that we have regarding coal and this was demonstrated by the annual BP energy assessment this year is that the percentage globally of coal use in energy (i.e. for the power sector= is roughly what it was forty to fifty years ago. It think it is around about 40 percent of electricity generation.
- Coal still has enormous political power and coal companies still have enormous political power. So that is a big issue for the sector moving forwards and policy going forward, we have got to build a very broad alliance of people to get coal out of the system.”

Prof. Addison's co-edited (with Alan Roe) book "Extractive Industries; The Management of Resource as a Driver of Sustainable Development" (Oxford University Press, 2018), a study prepared by UNU-WIDER, is available as a free download from the following link: <https://www.wider.unu.edu/publication/extractive-industries>

Published June 2019: (short version) Report of the Kyrgyz Republic EITI 2015-17

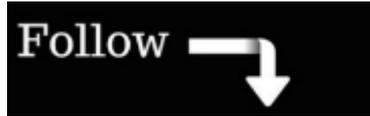


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