

December 19, 2001 – Version 1.0

**Submission of TUAC to the UNEP Industry Sector Reports:
Oil and Gas**

-being the-

**ICEM response to the IPIECA/OGP preliminary draft report
'Fuelling Sustainable Growth: A Decade of Progress by the Oil and Gas
Industry'**

The report put together by the IPIECA and the OGP portrays the industry and its corporate players in a very good light. This is perhaps understandable given the remit of these organizations. Nevertheless, the industry has much to answer for in terms of both social, and environmental, sustainability.

Social Dimension:

Unfortunately, the report lapses on occasion into 'political correctness'. This is more visible in the introduction. If the industry wishes to quote Nelson Mandela then there also needs to be rather more frank recognition of the role – warts and all – the industry has played particularly in less developed countries as far as human rights and developmental rights are concerned. The authors could do worse than look at the ICCA Chemical Sector report which, for all its shortcomings, has been more ready to acknowledge the downside of the activities in the sector, and the challenges facing companies.

The report must be assessed against the generally bad public image the extractive industries have in the majority of countries in which they operate. For every positive case study presented in the report trade unions, NGOs and community representatives could present case studies that tell a radically different story (e.g. Burma, the oil rich countries of the Middle East, the Trico saga, Columbia, Central Asia), where one can find ample evidence that the oil companies have a poor track record. Concerns range from violation of worker rights, poor industrial relations practices, environmental degradation, civil conflict, collusion with dictatorships, corruption and the list goes on.

On the other hand, the ICEM is extremely surprised that no mention is made of what we consider to be one of the best examples of joint trade union/company cooperation. This is the Global Agreement that has been signed by the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and Statoil. Statoil has, rightly, been given credit elsewhere in the report for its leading edge environmental initiatives, but given the crucially important social aspect of the drive for sustainability, the absence of any mention of the ICEM/Statoil agreement is extremely puzzling. For the avoidance of any doubt, we attach herewith a copy of that agreement and strongly suggest that it be referenced in the report – preferably as a case study box. (*Incidentally, in the box 'Applying business principles globally' on page 39, reference is made to 'a trade union' one hopes that this is a typographical area and that the phrase 'trade unions' was intended – this needs to be corrected*).

Given the huge human rights issues that attend the oil and gas industry it is astounding that the IPIECA/OGP report contains a scant 2 pages, one third of which is taken up with only two case studies. If this is a measure of the interest in ethics and human rights then the readers will draw the inevitable conclusions. The last sentence of the 'Background' section on page 38 ends with the sentence 'It is a highly complex milieu, in which good intentions must be coupled with effective practices'. Given the length and depth of the subsequent chapter, this stands out as, frankly, a gratuitous statement. Where are the statements of good intentions which this chapter should address? More importantly, where are the examples of 'effective practices'? It is hard not to believe that many companies will be more than a little upset that this section isn't more visionary, more detailed and more committed. This is probably the best place for the ICEM/Statoil global agreement to be included as it would provide at least one beacon of hope in what otherwise appears to be a very dark section indeed.

According to a recent study by Oxfam America, developing countries that rely heavily on oil or mineral exports suffer higher rates of poverty and child mortality, and spend more on their militaries than similar countries with more diverse economies. The report contests the conventional economic wisdom that developing nations prosper by extracting and exporting their oil and mineral wealth. The study reveals that oil- and mineral- dependent countries *have significantly worse records on poverty indicators than states with similar levels of income but little or no oil and mineral wealth*. For example:

- The more that developing countries rely on exporting minerals, the worse their standard of living is likely to be, according to a United Nations measure that factors per capita income, health, and education; Zambia, Zimbabwe, and Kazakhstan showed marked declines in the 1990s. Oil- and mineral-dependent developing countries have higher infant and child mortality rates, than other countries with similar income levels. In these cases, oil dependency is linked to malnutrition. Worldwide, an average of 26.5 children per thousand are malnourished. In oil-rich Nigeria, the rate is 37.7 per thousand, and in oil-rich Yemen it is 51.7, one of the highest rates in the world.
- Developing countries that are dependent on oil and mineral wealth face a much higher danger of civil war than resource-poor nations in any given five-year period. They spend a far higher percentage of their budgets on their militaries, diverting funds from programs that directly address the needs of the poor.

Whilst oil and gas companies cannot take responsibility for the distributive aspects of earnings from oil and gas, they certainly need explicitly to recognise the nature and shortcomings of the environments in which they operate. For this reason, it is important to test this report and its understanding of "progress" against a set of objective standards. Here, we think the ILO provides the most basic, credible, legitimate and necessary standards for socially sustainable industries.

There are eight ILO Conventions that have been identified by the ILO's Governing Body as being *fundamental to the rights of working people*. They are intended to apply to all workers, whether their country is a developed nation or a developing one. All other workplace rights are considered to be based upon these fundamental rights.

Freedom of association

1. Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)
2. Right to Organize and Collective Bargaining Convention, 1949 (No. 98)

The abolition of forced labour

3. Forced Labour Convention, 1930 (No. 29)
4. Abolition of Forced Labour Convention, 1957 (No. 105)

Equality

5. Discrimination (Employment and Occupation) Convention, 1958 (No. 111)
6. Equal Remuneration Convention, 1951 (No. 100)

The elimination of child labour

7. Minimum Age Convention, 1973 (No. 138)
8. Worst Forms of Child Labour Convention, 1999 (No. 182)

History teaches that good labour standards are not obstacles but prerequisites to broad, balanced and sustained economic and social development.

United Nations Universal Declaration of Human Rights

The report also refers to the UN Universal Declaration of Human Rights. If the industry genuinely views these rights to be important, then special attention must be paid to those whose rights are most frequently violated, including: workers, women, children, indigenous peoples and displaced persons and refugees.

Trade unions believe that the necessary prerequisites for a sustainable society are expressed in the Universal Declaration on Human Rights in some manner or degree. However, there are some criteria that we believe bear further explanation and elaboration:

(1) Wealth and Income

Trade unions view wealth, and income, as critical criteria of economic sustainability. However, social sustainability has more to do with the distribution of wealth and income than with absolute levels. Therefore a sustainable society should strive to minimize:

- Disparity of wealth and income between rich and poor (ratio of inequality) between regions, and within regions.
- Disparity between genders
- Disparity between ethnic groups

(2) Education

Trade unions see the primary goal of education as the production of informed, engaged and responsible citizens and the attainment of knowledge and skills necessary for productive, rewarding employment as an important secondary goal. Thus, a sustainable society ensures:

- Universal access to quality education
- Minimum basic literacy levels are achieved by almost all citizens
- A high level of average educational achievement

(3) Health

Human health, both physical and psychological, lies somewhere near the boundary between the social and environmental dimensions of sustainability. Most analysts would, however, place human health under the “social” heading. A sustainable society should strive to:

- Maximize life expectancy
- Minimize infant mortality
- Minimize illegal drug use
- Minimize the suicide rate
- Ensure adequate and equitable access to health care, including medications

Achieving these goals requires looking at the underlying causes of the problems, rather than solely trying to address the negative outcomes.

(4) Equal opportunity to participate

It is one thing to talk about everyone having equal theoretical access to employment and social services, but without addressing the practical barriers they are only words. For example, women with children are not able to participate in the workforce or in other aspects of society without a well-developed child care system. In addition, citizens must be able freely to access objective information, or at least information that reflects the range of viewpoints. Thus, a sustainable society should enhance every citizen’s right to fully participate in society by:

- Provision of affordable child care
- Ensuring that a free and healthy media sector that is not beholden to a narrow base of owners or interests, exists

(5) Environmental Justice

Another example of unfairness lies in “letting the market decide” where to locate a potentially hazardous industrial facility or toxic waste dump. An unregulated contest of economic might between huge economic interests and impoverished communities is not a fair contest. This problem has been identified as one of “environmental justice” and has been labelled “environmental racism” by some.

United Nations Secretary-General’s “Global Compact” Initiative

United Nations Secretary-General Kofi Annan has challenged business, worldwide, to adopt the nine principles of a “Global Compact”. This builds upon previous acknowledgement of business as both the principal instrument of economic growth and a prime instrument of environmental and social change.

The Global Compact is a voluntary initiative being promoted by the UN Secretary-General. It is not a code of conduct in the commonly understood sense, as there is no procedure for monitoring compliance. The only obligations are those that companies impose on themselves. Many UN agencies may play a role in the Global Compact; for example, the ILO is working to persuade business to abide by the internationally recognised minimum labour and environmental standards. However, it is principally businesses themselves that are called upon to act in the Global Compact. Some have responded well (e.g. Statoil), others appear to have confined themselves to commitment more in theory than in practice. *It would be a major step forward if the IPECA/OGP report were to contain a recommendation that all oil and gas companies should commit themselves to the Global Compact and develop structure and mechanisms to ensure that this commitment is give full and credible effect.*

The Global Compact aims to ensure respect for labour and human rights and the environment, in a globalised economy. It identifies nine principles in all:

Two human rights principles:

- (1) Support and respect the protection of international human rights within their sphere of influence;
- (2) Make sure their own corporations are not complicit in human rights abuses;

Four labour principles:

- (3) Freedom of association (right to organize) and right to bargain collectively;
- (4) Elimination of all forms of forced and compulsory labour;
- (5) Effective abolition of child labour;
- (6) Elimination of discrimination in respect of employment and occupation; and

Three environmental principles:

- (7) Using a precautionary approach to decision making;
- (8) Managing business enterprises in an environmentally responsible manner;
- (9) Developing and implementing environmentally sound technologies.

The UN Secretary-General has asked all global stakeholders to embrace and enact it, and has said that this will requires the effective involvement of trade unions along with management. Trade unions have responded that the Global Compact is best implemented by means of global union-employer agreements; agreements which give substance and credibility to voluntary initiatives. *Statoil is the only oil and gas company in the world to have responded positively to this challenge so far.*

Additionally, the Global Compact invites corporations to contribute money and personnel to work with the United Nations as “ambassadors of responsible development”. This noble idea carries with it a heavy responsibility if corporations are to act in this capacity without using the access so provided to gain an unfair competitive advantage over local firms in the fight for market share. *There clearly needs to be a high degree of transparency and clear structures and mechanisms for ensuring absolute integrity and credibility if such an approach is not to alienate the general public.*

The international labour movement believes that a commitment to the human rights and labour rights principles of the Global Compact will help to move the world towards social sustainability and, at the same time, provide the basis for the necessary cooperation in addressing the sometimes competing demands that will arise.

International business frequently refers to a “triple bottom line” - “responsible economic growth, environmental and natural resource conservation, and social responsibility”. While businesses sometimes recognize that, in pursuing profit, they have to take account of community interests and social values, their threefold scheme of sustainability has generally left workers out of the equation. This only reinforces the need for business to take seriously the challenge of the Global Compact, and to embrace and enact it through the negotiation of global union-employer agreements.

In the developed world, the gas industry in particular seems to cling to the now thoroughly discredited notion that regulation is largely unnecessary and that the free market will solve most of the problems of energy supply. It must now be clear to any objective observer that the unregulated free market is not the most efficient way to provide essential energy needs. De-regulation and privatization of natural gas distribution systems has led, not to greater efficiencies, but instead to price instability and uncertainty of supply. The recent collapse of Enron, the energy giant responsible more than any other for preaching the gospel of de-regulation and privatization, makes our point in an effective, if ironic, fashion.

In the developing world, governments and international organizations, particularly the World Bank and the International Monetary Fund, must recognize that effective and consistent regulation is actually a necessary pre-requisite to development, including development of oil and gas resources.

Environmental Dimension:

It is obvious that the industry recognizes legitimacy of some its environmental critics, in that the industry report attempts to respond to several of these. For this, at least, its authors should be commended. The industry does seem to be excessively optimistic, however.

It is obvious to many people, even many who wish it were not so (including those in the trade union movement), that current patterns of energy production, processing, transportation, and consumption are going to undergo radical change in the coming decades. Unfortunately for this industry, much of that change will be occur within the oil and gas sectors.

While the industry faces many challenges in improving its environmental performance, as is discussed in the industry document, the overriding issue is clearly carbon emissions and climate change. Trade unions do not doubt the conclusions of the International Panel on Climate Change (IPCC) regarding global climate change. Neither do we doubt that action will be taken – willingly or unwillingly – to control and adapt to the effects of climate change. Taking end use of their products into account, the 122 largest oil and gas corporations account for 80 percent of world greenhouse emissions. This will be a challenge for both the industry, and the workers and communities who depend upon it, in the years to come.

Moreover, oil and gas are depleting, non-renewable resources. Trade unions would like to be as optimistic as the industry report seems to be on the extent of reserves, however our conclusion is that estimates of reserves are completely unreliable. In part, this is because it is in the interests of every link in the oil and gas chain, from producing countries to oil and gas companies to consuming countries, to exaggerate reserves. Even if one accepted a wildly optimistic estimate of, say, a 1,000 year supply of oil and gas at current rates of use, what is almost never discussed is that consumption continues to rise. If annual consumption increases by only 5 percent per year, that 1,000 year supply can be depleted in just 80 years. In any case, as one oil company executive put it, the stone age did not end because the world ran out of stones. Similarly, the age of oil will end, not when the last drop is pumped out of the ground, but when it is no longer competitive in price with alternative sources.

These facts are not lost upon the industry. Many oil and gas companies are attempting to redefine themselves as “energy” companies and are investing some of their vast wealth in alternative energy sources and new technologies. In other words, the industry is preparing for a transition from oil and gas to other sources of energy. Trade unions demand that employers and governments work with us to ensure that a “Just Transition” takes place for oil and gas workers, their families, and their communities.

“Just Transition” occupy a unique position within labour’s approach to sustainable development. Briefly, a “Just Transition” program ensures that the costs and benefits of moving towards a more sustainable future are shared fairly; and especially, that the workers, families and communities who rely on industries or activities dubbed “unsustainable” by society are protected during the transition to more sustainable activities. First and foremost, “Just Transition” programs are a necessary prerequisite to making any substantial progress on environmental issues. Secondly, the existence and quality of “Just Transition” programs are indicators of social sustainability.

Conclusions

In conclusion, energy is more than a commodity – it is an essential human need. Oil and gas companies would do well to remember this, as they lobby governments to cater to their needs.

Stakeholder dialogue, especially with trade unions, is essential. Trade unions are the crucial social partner for the oil and gas industry. Employees have much to contribute to the sustainability debate for this sector.

the extractive industries will continue to come under the spotlight at the national and global levels simply because of the high profile and high impact nature of these industries. Our task as a union major in these sectors is to ensure that we articulate and promote an approach for the extractive industries that provides for the following:

- Country policy development and strategies that address the needs of the poor, redistribute wealth and create quality jobs;
- Respect for all ILO core conventions on worker and social rights;
- Development of operations that are safe, productive and humane and that take care of the environment and have social plans for downscaling and closure;

(ICEM, Brussels, 17 December 2001)