



*Oil and gas are the principal fuels used by industrial countries for heating, lighting and transport. Significant remaining resources are often in the developing world where extraction has increasingly come under the spotlight for the social and environmental impacts that can arise.*

*While climate change has been a primary focus for attention, poverty, human rights and the roles of the oil and gas sectors have also become important sources of concern. Extracting non-renewable resources has the potential to generate employment and significant revenues for producing areas, however, countries that depend upon them can also suffer from social disruption, human rights challenges and corruption. The World Bank has stated that twelve of the world's 25 most mineral-dependent states, and six of the world's 25 most oil-dependent states, are classified as "highly-indebted poor countries".*

## The issues

The oil and gas sector is made up of upstream and downstream activities. Upstream activities involve exploration and production and transfer of oil and gas to refining or processing facilities. Downstream activities involves the production (including refining), distribution and sale of refined hydrocarbon products. Oil and gas projects can be onshore (terrestrial) or offshore (marine) or a combination of both.



### Key poverty issues

Poverty related issues from oil and gas operations arise either directly from operations themselves or from the wider social context within which operations are planned, developed and run, key issues include the following:

- Workplace Health & Safety.
- Disruptions of rural and indigenous populations.
- Migrant worker impacts.
- Use of security contractors.
- Bribery and corruption.

#### Workplace Health & Safety

Worker health & safety can be both directly and indirectly related to poverty and human rights issues. Direct impacts can include fatal and non fatal accidents which, without adequate compensation and support of workers or their families can lead to economic disadvantage and poverty. Indirect impacts can include health effects and loss of livelihoods from pollution incidents or the communication of diseases between workers and local communities through inadequate education and or living conditions.

#### Disruptions of rural and indigenous populations

The development of oil and gas extraction facilities can provide valuable sources of employment in remote areas, however, employees are often sourced from outside the area of operations. Therefore the impacts of facilities upon rural and indigenous communities can disrupt established social structures and sources of income generation. Low recognition of this issue and a failure to consult and consider the interests of rural and indigenous populations can lead to a conflict of priorities between governments, who see oil and gas extraction as a powerful generator of foreign exchange and tax revenues, and local people, who may see such facilities as disruption and ending traditional ways of life.

#### Migrant worker impacts

In addition to the issues noted above, oil and gas extraction activities depend substantially upon a migrant workforce. The use of such a workforce can have significant poverty impacts upon the workers themselves but also upon the communities within which they operate. These impacts can include discrimination with regard to working hours, pay and working conditions and access to education.

Often migrant workers' identity and travel documents can be held by their employers, restricting their freedom of movement and self determination. In addition, migrant workers impact upon the communities within which they operate, generally stimulating the expansion of the sex, drug and alcohol trades.

#### **Use of security contractors**

Oil and gas facilities can frequently be situated in conflict regions or areas subject to social unrest. As a result, the services of security contractors are used to provide protection of plant facilities and workers. However, there can be negative impacts from this arrangement including the use of disproportionate force, use of such contractors to disrupt union activity and complicity between contractors and paramilitary groups.

#### **Bribery and corruption**

As noted above, oil and gas activities can provide invaluable foreign exchange and taxation income which can be used by governments to improve social welfare, infrastructure, health and education. However, such potential benefits can be undermined in areas where corruption is endemic, leading to reduction in the promised social benefits of such activities and adding to a disruption in community cohesion and mistrust of both government and oil and gas companies.

## Possible solutions

As with many issues, there is no one clear label or system which indicates the policy and practice of oil and gas companies with regard to poverty and other social and environmental issues. However, there are a number of initiatives which indicate engagement on the issue and also approaches towards demonstrating progressive practice.

#### **Extractive Industries Transparency Initiative (EITI)**

The EITI is a coalition of governments, companies and civil society groups, investors and international organisations which aims to strengthen the governance of extractive activities. The EITI recognises that the extraction and utilisation of natural resources can provide a powerful driver for reducing poverty and driving growth and seeks to improve the transparency and accountability of the sector. It has a flexible methodology which signatory companies are required to follow and report against on. In addition, the "EITI Rules" establishes a methodology for compliance by countries where extractive activities take place.

#### **The Voluntary Principles on Security and Human Rights (VPs)**

Established in 2000, the VPs involve a range of governments and companies operating in the extractives and energy sectors. Based upon a shared recognition of the importance of human rights and corporate social responsibility, members have developed a set of operating principles which seek to promote and protect human rights throughout the world.

#### **UN Norms – Human Rights and the Rights of Indigenous Peoples**

The United Nations has produced two sets of standards, referred to as "Norms", the "UN Human Rights Norms for Business" and the "UN Declaration on the Rights of Indigenous Peoples". Companies are encouraged to apply these through their operations.

#### **Government policy for poverty reduction using oil revenues**

A number of governments have committed to the use of oil revenues for tackling poverty and wider social issues. For instance, in 2008, the Ugandan Government produced a National Oil and Gas Policy after consultation, aiming to "use the country's oil and gas resources to contribute to early achievement of poverty eradication and create lasting value to society". Brazil has also committed to putting all government revenues from oil and gas activities into a "social fund" to be used for combatting poverty and education programmes. This policy was developed following the discovery of the largest new oil and gas discovery off Brazil's coast in 2009.

## Recommendations

- ⊙ *Procure oil and gas supplies from companies which are EITI signatories.*
- ⊙ *Procure oil and gas supply from companies which are signatories of the Voluntary Principles of Security and Human Rights.*
- ⊙ *Ensure oil and gas supply is provided by companies which have signed up to the UN Human Rights Norms for Business and the UN Declaration on the Rights of Indigenous Peoples.*
- ⊙ *Consider procuring oil and gas supplies sourced from countries where oil revenues are directed towards poverty alleviation.*

#### **REFERENCES/FURTHER INFORMATION**

Extractives Industry Transparency Initiative: [www.eitransparency.org](http://www.eitransparency.org)

Voluntary Principles on Security + Human Rights: [www.voluntaryprinciples.org](http://www.voluntaryprinciples.org)

UN Norms – information on these can be found at: [www.business-humanrights.org/Documents/UNNorms](http://www.business-humanrights.org/Documents/UNNorms)

Oil and Gas and poverty in Uganda: [www.allafrica.com/stories/200908240823.html](http://www.allafrica.com/stories/200908240823.html)

Oil and Gas and poverty alleviation in Brazil:

[www.brazzilmag.com/index2.php?option=com\\_content&do\\_pdf=1&id=11151](http://www.brazzilmag.com/index2.php?option=com_content&do_pdf=1&id=11151)