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Natural resource policy amid the global green transition

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Achieving global net zero emissions requires phasing down the use of coal, oil, and gas, and a rapid and substantial scaling-up of the metals and minerals used in manufacturing renewable energy capacity and electric vehicles. This shift is a major development opportunity for countries endowed with critical minerals and renewable natural capital—such as forests, water, soils, and biodiversity.

The net-zero transition has profound consequences for countries aspiring to end poverty—and banking on revenues from non-renewable resources to help achieve this while preserving their renewable natural capital. Global climate action profoundly affects the markets for metals, minerals, oil, and natural gas, benefiting economies endowed with the minerals essential to green technologies while posing risks for those endowed with fossil fuels.

A new UNU-WIDER book discusses these opportunities and challenges. Resources matter since they are the source of the materials necessary for our daily lives. They matter because they are the source of considerable investment, foreign exchange earnings, and public revenue for the Global South—with potential to transform economies and end poverty. But their extraction can cause environmental damage and is a major source of greenhouse gas emissions. The sector must therefore be used in ways that end poverty while protecting nature.

Three strategic transformation

Three transformations are necessary for success. The first entails a shift in **perspective**; moving away from the current narrow attitude that the extractive industries are simply enclaves to be milked for short-term revenues, to a view that greater linkages can be built to the broader economy. Second,

FINDINGS

Global climate action significantly impacts the markets for metals, minerals, oil, and natural gas, creating new development opportunities for economies with critical minerals

Extractive industries play a bigger developmental role when linkages are built to local and national economies. This requires strengthening government capabilities to rigorously assess project costs and benefits, and to work with companies to achieve greater beneficial impact

The extractive industries must do more to protect renewable natural capital—such as forests, water, soils, and biodiversity—their longer-term value is greater than non-renewable resources and they underpin many livelihoods

PHOTO BY DION BEETSON ON UNSPLASH

the **governance** of the extractive industries must be transformed, to create a consistent regulatory framework to increase private investment, further supported by development finance institutions, tax reform, and better macroeconomic management.

Managing the macroeconomic consequences of resource revenues includes responsible borrowing, improved revenue sharing between local and central government, and greater clarity on the role of sovereign wealth funds. Transforming governance also implies a transformation of state institutions, improvements in state capacity, and new standards in transparency—especially in how resource revenues are managed. States can now draw upon a wide range of practical and tested international initiatives—such as the Extractive Industries Transparency Initiative (EITI)—for good resource governance.

Third, responsible behaviour by **companies** towards communities and the environment must be encouraged, building upon the best examples of success to support national objectives (for example, AngloGold Ashanti's very successful malaria control programme in Ghana, as well as Anglo American's support to community development in Brazil, Colombia, and South Africa). The strength of the working relationship between the state and extractive industry companies—which often dominate foreign investment and are frequently the largest source of government revenues and exports—is a good predictor of success. There are now many international standards to help guide progress (notably the International Finance Corporation's performance standards for environmental and social impact, which are widely referred to in company practices). When governments are ineffective and exclusive—working mainly for elite interests—they attract irresponsible companies, which is the worst combination for sustainable development and, indeed, peace.

Values, knowledge, and interests

Ending poverty and protecting nature are **values** common to all societies, rich and poor. But poor countries, with only limited financial and technical resources, need more international assistance to end poverty without damaging nature. Renewable natural capital is a source of prosperity for these countries, long after non-renewable resources are exhausted. They also need financial and technical assistance to invest in renewable energy.

Our **knowledge** about how to manage resource wealth is now extensive, but rapid scientific and technological advances will upturn markets for metals, materials, and fuels, posing fresh challenges for producer countries. Much can be achieved, but progress depends on how the struggle between competing **interests** plays out: both within societies and between nation states in whether they cooperate or compete. The geopolitics of resource wealth constitute new uncertainties.

RECOMMENDATIONS

Transform state institutions, state capacities, and transparency standards, especially in how resource revenues are managed. Countries should draw upon a wide range of practical and tested international initiatives to do this, notably the Extractive Industries Transparency Initiative (EITI)

Manage the macroeconomic consequences of resource revenues, avoid excessive borrowing, improve revenue sharing between local and central government, build better tax systems to diversify revenue sources, and clarify the role of sovereign wealth funds

Strengthen the working relationship between the state and companies so that their investments (and especially foreign investments) deliver greater benefit to local communities and for national development goals

Effective and inclusive governments working with socially and environmentally responsible companies is the ideal partnership, and there are now many examples to help guide progress

National benefits are harder to achieve in fragile states, often characterized by ineffective government, but responsible companies can nevertheless benefit local communities in these contexts

This Policy Brief is based on the Open Access UNU-WIDER book **Resources Matter: Ending Poverty while Protecting Nature**, by Tony Addison and Alan R. Roe and published by Oxford University Press (2024)