



Community Risk in Extractive Industry: The Indian Context

The extractive industry is perhaps the sector with the highest risk appetite. More than companies in any other sector, mining and oil and gas companies venture into areas which are described as “high threat,” not out of choice but because they have to go wherever resources are found.

India has a rich resources base that has made it attractive for Indian and foreign mining and oil and gas companies. But the exploitation of these resources has not been easy, given the range of risks that companies have faced. Security is one of the biggest concerns for mining companies. Large swathes of mineral-bearing areas in India are controlled by leftwing extremists, known as Naxalites or Maoists. In the Northeastern states, a good source for oil and gas, a plethora of insurgent outfits hold sway.

While security is by itself a major challenge, in some of these areas the risk is compounded by the anti-extractive industry stance adopted by the Maoists and insurgents. The community in some of these areas is heavily influenced, genuinely or because of fear, to take a position against mining and oil and gas companies which makes it difficult for them to operate.

Many mining and oil and gas projects have run into rough weather because of community opposition. In some cases, the community’s agitations and the response of the law enforcers have led to violence resulting in deaths. In Orissa, Kalinganagar, a steel hub, and Kashipur, where a bauxite refinery is coming up, have witnessed violence resulting in deaths of tribals protesting against acquisition of their lands for projects. South Korean steelmaker Posco’s proposed plant in the state has also met with community opposition resulting in delays in the project’s progress.

Bauxite mining projects in north-eastern Andhra Pradesh have also not taken off because of stiff resistance by the local population. Similarly, steel projects proposed by Arcelor Mittal in Jharkhand and Orissa have not progressed because of problems surrounding land acquisition. In an attempt to secure more favourable sites for their plants, both Posco and Arcelor Mittal have signed memorandums of understanding with the Karnataka government.

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n Nagaland, the Oil and Natural Gas Commission was forced to abandon its oil exploration project following protests by the community and insurgent groups in 1994.

India has over the last decade and a half seen a dramatic change in the way communities have responded to large capital projects involving acquisition of large tracts of land, and industry-induced human displacement. Effective mobilisation of the community by non-governmental organisations and other non-state actors has led to rise of awareness of individual and collective rights of people vis-à-vis the industry.

At the heart of the community's concerns is adequate and suitable resettlement and rehabilitation (R&R) of the population displaced by industrial projects. India's record in this area has been far from exemplary. For several decades, India did not have an R&R policy worth the name. Companies either did not display a commitment to ensuring that the people who are displaced by their projects are properly resettled and rehabilitated, or felt constrained by the lack of clear guidelines on how to manage R&R issues.

In the absence of a clear R&R policy, companies and governments have tried to compensate the displaced populations with money which in most cases has been found to be insufficient and/or not the best way to ensure an alternative livelihood for land losers. Land for land, and provision of employment was never an option. The National Policy on Resettlement and Rehabilitation for Project Affected Families evolved for the first time in 2003, commented: "The system of extending cash compensation does not, by itself, in most cases, enable the affected families to obtain cultivable agricultural land, homestead and other resources which they have to surrender to the State." India has since brought in improvements in the form of a new policy in 2007 but a few crucial amendments to the relevant laws are still hanging fire.

The absence of clarity at the policy level on how to deal with project-induced impacts on the community, and the industry's apathy towards mitigating such impacts has led to a situation in which the community's first response to a project involving land acquisition is to oppose it. In some cases, activists and interest groups, claiming to act on behalf of the community, set up hurdles in the way of implementation of the government-industry's proposals for effective R&R of displaced populations. In others, the industry and/or the government are seen as the villain.

The industry has to realise that the social licence to operate can be obtained only by demonstrating a commitment to resolving impacts of projects on the community. Effective community engagement through sharing of information about the positive and negative impacts of projects, plans for mitigating adverse effects of projects on the environment and livelihood of projected affected populations, and employing internationally recognised best practices in good corporate behavior will help the industry in minimising its risk exposure vis-à-vis the community.

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