



The cure for mining's regulatory disease

Embracing an active approach to regulatory management may cost you a bit today, but it will be instrumental in securing permits and turning net cash flows positive. 'Waiting it out', on the other hand, could be a certain route to a slow and expensive death

Mining has always been risky business, but, as is evident from the recent World Risk Report published by *Mining Journal Intelligence* in late 2017, risk is a non-static concept that evolves with the world around it. Regulatory risk, in particular, is becoming increasingly challenging for miners to manage.

If you can recognise this trend from your own professional life, then now is the time for you to read on for some advice on how to cope with this important challenge.

To gain an operational perspective from the industry, we have asked mining professionals in Sweden – a highly rated mining jurisdiction showing serious signs of the 'rising regulatory risk disease', manifested in prolonged permitting times, appeals, trials, etc – how they perceive regulatory risk and how they believe it can best be handled and mitigated.

The majority of respondents indicated the reasons behind the increasingly high regulatory risk in Sweden to be lengthy and uncertain processes and a negative public or political perception of mining. Attempts at mitigation have included early-stage dialogue with local communities, planning activities based on local needs, and the commissioning of socio-economic impact assessments to demonstrate the potential of projects.

Against this background and our own hands-on experience from the

Nordic mining sectors, we suggest the following prescription for mining executives and managers, in order to cope with regulatory risk as efficiently and as seriously as operational risk:

● **Allocate a budget for regulatory management:** Consider the development of regulatory management to be equally important as technical development. Luckily, the budget required for this will be considerably smaller than for technical work.

● **Know your value:** Carry out a socio-economic impact assessment to truly understand the value drivers of the project, even if this is not required by law.

● **Commit to a plan for realising benefits:** Commit to binding strategies for realising the positive effects of the project for your stakeholders.

Many explorers and miners do not have regulatory or economic experts with local knowledge in-house, so following this recipe will require allocating funds to tasks that recently have, for many, been deemed unnecessary or at least less important than the physical and technical development of an asset.

However, poorly managed regulatory processes will in many cases lead to, if not direct failure, then long and costly paper wars and foregone profits from delayed production. For this reason, taking control of the regulatory process is a key to success.

In order to engage with regula-

tors, community and other important stakeholders, be sure to truly understand not only your environmental, but also your potential socio-economic impact. Communicate your value in monetary terms, jobs and new opportunities, naming potential beneficiaries if possible.

Be prepared to invest resources in realising this value. Large numbers tend to be non-credible if not even you are willing to commit to work on bringing them to life. That is, however, not the same thing as committing to realising them single-handedly!

For each project, the above list can and should become even more detailed over time and ultimately result in a list of work packages and a strategic plan for engagement that you can initiate and execute (almost) as comfortably and easily as you would probably this summer's drilling programme.

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