Workshop Working Paper

Petroleum Development and Conflict Prevention Strategies

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“Building Knowledge on Petroleum Resources Management”
Petroleum Development and Conflict Prevention Strategies

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1. Introduction

This paper is written to offer the Federal Government of Somalia (FGS) comparative perspectives on how to prevent petroleum-related violent conflicts. As oil and gas companies can fuel such violent conflicts, or explore/operate responsibly in ways that ‘do no harm’, the paper also provides insights that are useful to these actors.

The three sections that follow cover: (a) key vulnerabilities that set the stage for petroleum-related violent conflict; (b) conflict prevention measures and strategies to tackle these vulnerabilities; and (c) implications and conclusions that should be considered by the FGS.

It is important to start this paper by pointing out that conflict related to petroleum development is inevitable in most countries. Indeed, such conflict is critical in order to ensure that the interests of key stakeholders (government, opposition groups, civil society, and the private sector) are reflected in a national approach to petroleum development. What is avoidable and needs to be prevented is the violent expression of such conflict.

The violent expression of petroleum-related violent conflict takes several forms. At a macro-level, it can involve armed secession movements and rebellions. It may also lead to further entrenchment of armed violence situations, where more criminal and other armed groups become involved in the illegal exploitation of oil and gas products (e.g. crude oil and condensate theft, artisan refining, etc.) and overall insecurity increases. At micro-level, it may include increased inter- and intra-community violence, attacks on industrial/exploration sites, sabotage of oil/gas assets (pipelines blown up), and hostage taking of government, oil and gas company staff.

This paper argues that the vulnerabilities that have led to petroleum related violent conflicts elsewhere go beyond precursors to the ‘resource curse’ and include a range of other vulnerability drivers. It also argues that a first step in mitigating such vulnerabilities to petroleum related violent conflict is the formulation of a prevention strategy that also includes ‘do no harm’ measures by oil and gas companies in their operations.

There are several caveats to this paper.

The first is that available literature is skewed towards the analysis of the governance of petroleum resources as a source of vulnerability or resilience to violent conflict. There is significant thinking around important concepts such as the ‘resource curse’ and ‘rentier states’. Reviewing the literature on these concepts is important, but arguably provides only part of the vulnerability picture.

Second, there is not much writing on applied lessons learnt by practitioners who have engaged in the resolution of petroleum-related violent conflicts. The author’s own experience from such work in Nigeria and Iraq is given here, supplemented by insights from semi-structured interviews with extractive sector personnel involved in conflict resolution in those and other places such as Honduras, Myanmar, Indonesia, Egypt, Guinea, and Madagascar.

Third, although the paper provides an overview of conflict prevention strategies and measures, these should be taken as a resource, not as any form of blueprint. Context is paramount for any strategy, and a petroleum development conflict prevention strategy will need to be tailored to the national context and dynamics.
Finally, this paper is written for a knowledgeable, but non-specialist audience. Simplifications are made that specialists may object to but for purposes of accessibility to a subject that is broad and complex.

2. Governance, context, and corporate-driven vulnerabilities to petroleum-related violent conflict

The papers prepared for the World Bank and this compendium show that governing the petroleum sector is challenging. There is a significant level of complexity associated to laws for the sector, economic policy, and the management of environmental and social impacts, to mention but a few.

This section will touch on some of these in terms of how they increase vulnerability to petroleum-related violent conflict. However, emphasis is on literature related to the ‘resource curse’ and ‘rentier state’, which describes governance vulnerabilities to violent conflict, and literature related to risk factors associated: (i) with armed conflict and the sector at the country level; and (ii) with oil exploration, the behavior of oil companies and interaction with local communities.

2.1. The ‘resource curse’ and ‘rentier state’

The literature on the ‘resource curse’ and ‘rentier state’ provides useful insight on governance-based vulnerabilities to violent conflict in oil and gas producing countries.

The resource curse literature argues that abundant natural resources negatively affect a country’s economic performance; and some argue also that it undermines the rule of law and democracy, and carries with it the risk of violent conflict. Unless effectively managed, the resource sector drives up the value of the local currency, hurts the competitiveness of manufacturing exports, and over time sees non-resource related sectors (such as agriculture, and other industries) contract (Tran, 2012). In an article looking at Uganda's recent oil discoveries, Bergo (2015) argues that oil tends to worsen existing corruption, and encourages a political system based on cronyism and patronage.

The academic debate on the resource-violent conflict link has been dominated by Collier and Hoeffler's (2001) influential work on ‘greed and grievance’, which argued that natural resource wealth increases the likelihood of civil war onset by providing opportunity and motive (‘greed’) for armed rebel activity, rather than causing grievance that in turn triggers conflict. The link between natural resources and violent conflict has been further developed since, and Humphreys (2005) outlines six possible causal paths for civil war onset:

- The ‘greedy rebels’ mechanism (in line with Collier and Hoeffler’s research);
- The ‘greedy outsiders’ who intervene militarily either directly or through support for internal warring factions in order to gain or maintain control over natural resources;
- The ‘grievance’ multiplier, where perceived deprivation of producing regions or negative economic consequences of resource wealth, such as the ‘Dutch disease’, price shocks or uneven distribution of revenues, create ‘grievances’ that trigger a violent uprising or secessionist movements in producing regions;
- The ‘feasibility mechanism’, where natural resources are used to finance rebel
groups;
• The ‘weakened state’ where the corrosive effects of resource abundance on state institutions (through corruption, clientelism) set the stage for a state that can’t provide for its citizens and creates grievance that makes internal violent conflict more likely; and
• The ‘sparse network mechanism’ where the one-sided integration of rentier economies in the world economy reduces their ability to develop the broader economic interface and exchange that is conducive to peace and stability.

There is some empirical evidence to support the resource abundance and violent conflict (and broader resource curse) link. For example, the top eight African oil producers in 2011 (Nigeria, Algeria, Angola, Egypt, Libya, Sudan, the Republic of Congo and Equatorial Guinea) have all experienced some type of violent conflict and/or instability in the last decade. All of these countries have a negative score on the World Bank’s control of corruption index. The US-based Polity project, which measures the authority characteristics of states, generally scores these countries as performing poorly (Lawson-Remer and Greenstein, 2012).

However, causality in the resources-violent conflict correlation remains contested and there is much nuance in the literature. For example, using the World Bank’s “total natural capital stock” to measure resource dependence and data for two years and 100 countries, Brunnschweiler and Bulte (2009) found no correlation between natural resource dependence and violent conflict onsets. By contrast, Lei and Michaels (2011) considered the effects of discovering giant oil fields, using models that include country and year fixed effects. They found that major oil discoveries increase the incidence of armed conflict by about 5 to 8 percentage points, compared to a baseline probability of about 10 percentage points. In countries with recent histories of political violence, the effect is much stronger.

The concept of the rentier state followed the study of oil-producing states in the Middle East, such as Iran, and the Gulf Monarchies, and adapted the Keynesian definition of rentier to one of a country that generates income on the basis of owned natural resources and its proceeds. It stipulates that the main function of the state in rentier economies is to distribute rent. In the resource curse literature, attention is given to the ‘rentier state’ as one of the negative consequences of resource abundance on the economy, institutions and democracy; consequences which create vulnerability to violent conflict. Yet, rents also provide ruling elites with resources through which to offset these indirect negative effects on peace and stability. Basedau and Lay (2009), Le Billon (2001), and Humphreys (2005), for example, outline four ways in which rentier states maintain security and stability.

• The ‘repression mechanism’ whereby rentier states invest in a large security apparatus to suppress opposition and vocal dissent;
• Given their role in ensuring energy security (or supply of other commodities of vital interest), rentier states are often supported by major powers, who discourage or deter internal rebellion or counter encroachment of ‘greedy outsiders’;
• The ‘inducement mechanism’ whereby rentier states use revenue proactively to buy off demands and opposition, or may engage in large-scale distributive or ‘populist’ policies that boost public sector employment, allocate subsidies, or provide free education and healthcare; and
• Rentier states may distribute rents selectively and create clientelist networks. Resource revenue is distributed among a relatively small part of the population and buys their loyalty.
Whether a rentier state is successful or not depends often on whether the commodity export capacity is sufficiently expanded so that rents accrued from export reduces the need for taxation. Revenues are then used to buy peace through a mix of patronage, large-scale distributive policies and repression. The combination of low or zero taxation with distributive spending policies favours some with greater income, but is likely also to be seen by the larger population as acceptable.

As such, much of the literature on rentier state counters the resource curse conclusions, and sees scaled-up natural resource wealth as an important contributor to stability.

Basedau and Lay (2009) offer a nuanced view on the different conclusions drawn on security and stability by proponents of the resource curse and rentier states concepts. They observe that “almost all studies” on the subject conducted since 1995 use primary commodity exports as a percent of GDP as the measure for resource wealth. However:

Dependence means that rents from resources are the most important source of income relative to other value-adding activities, while abundance or wealth refers to the absolute amount of resource rents available in per capita terms. It can be easily illustrated that these two variables may differ substantially. Nigeria and Saudi Arabia, for instance, were almost equally dependent on oil exports in 2002 — oil exports accounted for 38.9% and 38.5% of GDP, respectively. Yet, if the governments had decided to pay out the proceeds from oil exports to their citizens, Nigerians would have been given a mere US$ 140 while Saudi Arabia’s citizens would have earned US$ 2,715. (Basedau and Lay (2009); 760)

In essence, they argue that wealth per capita, particularly in politically unstable areas, may be a more appropriate measure of resource wealth and its likely impact on security and stability. By extension, vulnerability to violent conflict increases in rentier states once oil starts to run out or the oil price drops. (Basedau and Lay (2009))

The resource curse and rentier state frameworks offer useful insights on how governance challenges and other factors contribute to the vulnerability of oil and gas producing states to violent conflict. However, a more complete picture emerges when contextual and corporate contributions to vulnerability are provided.

2.2. Contextual vulnerabilities

Beyond the insights on vulnerability to violent conflict from the literature on the resource curse and rentier states, there are other important contextual vulnerabilities that should be considered. These are partly drawn from the conflict analysis and state fragility.
literature, and partly from experience of preventing and resolving petroleum- and natural resource-related violent conflicts. The vulnerabilities relate specifically to aspects of the existing infrastructure of violence, state fragility, weaknesses in national legislative and regulatory frameworks, and operational aspects of oil and gas exploration/production (see Figure 1).

In many violent conflict-affected areas, there is an established political economy or infrastructure of violence (firepower, foot-soldiers, finance, and insecurity), which creates the basic conditions for violence to erupt or escalate. Four are particularly important for petroleum-related conflicts.

- **Widespread availability of Small Arms and Light Weapons (SALWs).** The widespread availability of SALW tends to encourage violent rather than peaceful ways of resolving problems, and often undermines confidence and security-building measures. In areas where oil and gas resources are contested, the presence of SALWs increases the risk that the contestation flares up into violent conflict (OECD/DAC, 2005).

- **High unemployment/under-employment among youth.** Research on the correlation between youth unemployment and state instability shows that very high youth unemployment in contexts of significant socioeconomic inequality and corruption contributes to instability and insecurity (Azeng and Yogo, 2013). In areas where groups are actively contesting oil and gas resources, idle youth (often young men) are targeted for recruitment into armed groups and are an important resource for perpetrating violence and the continuation of violent conflict.

- **An established war economy.** War economies typically involve strong informal black markets, predation and violence against civilians by combatants to control sources of income, illegal trade in natural resources, and cross-border trading networks (Ballentine and Nitzschke, 2005). The illegal exploitation of natural resources (through crude oil and condensate ‘bunkering’, illegal refining, and artisanal mining, or drugs cultivation and production) becomes an important source of revenue and sustains armed groups. Sources of finance (e.g. access points where crude oil bunkering is possible or transport routes for stolen oil) tend to become a source of conflict between armed groups or between government and armed groups.

- **Community conflicts and presence of armed groups.** A prevailing sense of insecurity, driven by either ongoing violent conflicts within or between communities/ethnicities, or the activities of armed groups, is a critical factor that motivates youth to become involved in violence, fuels the trade in SALW, and creates an enabling environment for war economies.

There are many aspects of state fragility or fragile situations raised above in the resource curse and rentier states discussion. Here two factors are identified that increase vulnerability to petroleum-related conflict.

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1. See the OECD/DAC Issue Brief on Small Arms and Light Weapons (2005)
2. The World Bank defines fragility and fragile situations “periods when states or institutions lack the capacity, accountability, or legitimacy to mediate relations between citizen groups and between citizens and the state, making them vulnerable to violence-related deaths in a year.”. See the World Development Report (2011), p. xvi.
• **Limited territorial control and presence of the State.** Where the state has limited presence in oil and gas producing areas through government institutions (administrative bodies, law enforcement and security), services (health, education, emergency/disaster management), outreach and engagement with the population, and basic infrastructure (roads, electricity, water), alternative governance systems (licit or illicit) are often in place that replace it. During oil and gas exploration or production, benefits from either activity often become contested between the (absent) state and local groups who control the areas where exploration/production takes place.

• **Institutional capacity to sustain and follow through on petroleum sector stakeholder dialogue.** The presence of functional institutions and mechanisms within government that allow for a constructive and inclusive national discussion on petroleum development is critical for ensuring that conflict associated to the sector does not turn violent.

• **Human rights violations by security forces.** Human rights violations committed by police, military, paramilitary or private security forces in oil and gas bearing communities tend to create a high level of resentment and distrust in the local population. Consequences are in some cases that public security forces will be actively prevented from carrying out their duties (investigations, arrest, crime prevention, etc.) or attacked by local groups. This creates no-go zones for public security in areas where clashes between these a local armed groups are frequent, and violent conflict can easily escalate.

There are four **weaknesses in national legislative and regulatory frameworks** that typically contribute to increased vulnerability to violent conflicts.

• **Unclear or evolving resource ownership, management, and benefits sharing arrangements.** Covered elsewhere in this compendium, resource ownership, management, and benefits sharing issues are often a source of tensions between the state and other actors. In a federal system, an additional layer of conflict emerges between the centre and sub-national state structures (e.g. Provincial governments). The main sources of tension tend to be about who owns a resource and how benefits are shared. In fragile state contexts or where there is an established war economy, negotiations over who owns what resources, how these are managed and benefits shared, are particularly challenging and often degenerate into violence.

• **Weak or evolving local content arrangements.** Local content is one of the main ways in which local groups can benefit from natural resource exploitation and drives the development of a national capacity in the oil and gas sector. Typically, local content arrangements spell out the targets for local procurement by oil and gas companies that are developing onshore or offshore fields. It becomes a potential source of violent conflict when: (a) ‘foreign workers’ take jobs that are perceived as doable by locals; and (b) there is perceived nepotism and corruption in procurement processes.

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3 There are many challenges also associated to poor regulated private security providers, especially when these are armed. In many fragile state contexts, public security is pretty much privatized, with different forces having loyalty to different individuals or factions associated to government.
• **Unclear and inconsistent social and environmental regulations and their weak enforcement.** There is an increasing awareness of the rights of communities and obligations of governments and companies to uphold social and environmental standards in contexts of oil and gas exploration/production. When social and environmental regulations are unclear and companies take shortcuts that lead to negative effects on communities, or when government agencies do not effectively or consistently enforce such regulations, protests and demonstrations by community groups may follow. How these are handled (e.g. government action to enforce regulations, or heavy handed security responses) will often determine whether additional grievance is created.

• **Outdated compensation scales.** Oil and gas development, particularly when it takes place onshore, may involve negative economic impacts on livelihoods through land acquisition, resettlement, pollution of lands or water, destruction of crops, etc. Normal practice is to compensate affected individuals and groups according to government compensation rates. If government compensation rates are outdated, then this will often cause resentment and further grievance in local populations.

Oil and gas exploration/production operations do not in themselves create vulnerability to violent conflict. However, there are three operational aspects that feed into other vulnerability drivers.

• **Onshore exploration/production,** particularly in populated areas, will affect some of the above-mentioned vulnerability drivers more than offshore exploration/production. This is also substantiated in research by Ross (2014), who found that “when oil is found offshore, it has no robust effect on a country’s conflict risk; when it is onshore, it appears to have a large effect” (Ross (2014); 14).

• **Proximity of activities to communities.** If onshore exploration/production activities are close to communities, then they are more likely to affect or be affected by any pre-existing violent conflict dynamics. There is further nuance on the location of such activities, with research surveyed by Ross (2014) showing that:

Oil is more likely to spark conflict when it is found in regions that are poor relative to the national average (Østby, Nordås and Rød, 2009) and populated by marginalized ethnic groups (Basedau and Richter, 2011; Hunziker and Cederman, 2012); when the resource is located in a region with a highly-concentrated ethnic group (Morelli and Rohner, 2010); when ethnic minority entrepreneurs use it to promote collective resistance to the central government (Aspinall, 2007); and more generally, in countries that have high levels of ethnic fractionalization and polarization (Ross (2014); 15).

• **Timing of exploration and production activities.** When exploration and production activities happen, and where – may exacerbate existing tensions or disputes. For example, onshore exploration activities in an area that is contested by different parties before or during efforts to arrive at a settlement will necessarily increase the perceived stakes involved and make negotiations more complex.

• **Limited experience with, and high expectations of oil and gas exploration.** In countries with limited experience of oil and gas exploration, expectations of benefits to come are often high. With between 50-90% of exploration activities failing to go
on to production\textsuperscript{4}, the potential for disappointment is high. Often, however, communities and governments expect immediate benefits and when these do not materialize, frustration easily mounts.

2.3. Corporate-driven vulnerabilities

Oil and gas companies engaged in exploration and production activities in contexts that are vulnerable to petroleum-related violent conflict may inadvertently trigger or fuel violence. There are several ways in which this typically happens, related to corporate policy, culture, and practice.

A key determinant of how companies operate in areas that are vulnerable to petroleum-related conflict is corporate policy. There are three policy areas where weaknesses can fuel tensions.

- **Weak social performance policy and guidance.** A weak policy framework, limited resources, and guidance for staff on how to consult and engage with stakeholders, how to implement basic non-technical standards (such as the International Finance Corporate Performance Standards), how to select and implement social investment projects, etc. often leads to corporate inconsistency, which in turn sets the stage for disputes with key actors (e.g. “you built a clinic in the neighbouring village, but when we now ask for it, you say you don’t do infrastructure projects!” or “your FPIC was not free and was late!”).

- **Inaccessible or weak grievance mechanisms.** The absence of a policy and adequate guidance to set up effective grievance mechanisms means that a company will not be able to pick up on many issues associated to its activities. There are examples of situations where companies only become aware of grievances after communities act violently or these are picked up by the press.

- **Limited guidance and experience on the Voluntary Principles on Security and Human Rights (VPSHR).** The VPSHR are designed to help companies reduce the potential negative impacts of their security arrangements in areas where human rights may not be respected. The non-use of the VPSHR, or a poorly conceived VPSHR action plan creates exposure and increases potential adverse impacts on rights holders.

Corporate culture determines the behavior and approach taken by company staff during exploration and production. There are three corporate culture issues that typically increase tensions or trigger violence.

- **Inappropriate behaviour and actions.** A limited or poor understanding of local customs, etiquette, or taboos is often followed by inappropriate behavior or actions by corporate staff. This may range from liaisons with local women, cutting down sacred trees, disrespecting customary protocol associated to traditional leaders, or placing surveillance cameras in areas where these are known to capture taboo footage (e.g. unveiled women).

\textsuperscript{4} See, for example, \url{http://www.forbes.com/sites/quora/2013/04/03/what-are-the-top-five-facts-everyone-should-know-about-oil-exploration/}
• **Confrontational and insensitive community relationships.** When operating in insecure areas, most companies will deploy security forces to protect staff. Whereas this is reasonable, it becomes confrontational or insensitive when weapons are brought into meetings with communities, or public security intimidate or harass locals. Outright dismissal of community concerns or failure to inform communities of planned exploration activities in their area may also increase tensions.

• **"Promise it if it'll keep us on schedule, others will deal with the legacy."** Some oil and gas companies specialize in exploration and sell off data or the find later to larger companies for production. What sometimes happens is that promises by exploration teams are made to local communities and groups in order to ensure that exploration schedules stay on track, but without the intent to follow through. The legacy of unfulfilled promises is passed on to the production company, who then is often forced to re-negotiate.

The extension of policy and culture is **corporate practice**, and there are several corporate practices that may fuel or trigger violence. Four key ones are given here.

• **Limited contextual understanding.** Surprisingly many companies involved in exploration activities fail to invest in adequately understanding the context and power-dynamics of the countries or localities they operate in. In settings characterized by state fragility and/or violence and instability, the consequences of insufficient understanding are at worst stoking violence, at best being drawn into power tussles.

• **Weak expectations management.** As mentioned above, the mix of high expectations and limited experience of oil and gas exploration complicates the operating environment for petroleum companies. Weak corporate expectations management and inconsistent corporate messaging further perpetuates this challenge.

• **"Throw money at it"** Some oil and gas companies approach disputes with communities or other groups in fragile contexts as a financial transaction. For example, an exploration rig held up due to community action may cost the company USD100,000 a day for each day of delay. Meeting community demands through cash transactions or small projects (e.g. building a village sports facility, or refurbishing the local power broker’s house) becomes expedient. However, the message it conveys is that violence pays and the legacy it leaves sets the stage for future violent actions.

• **Nepotism in hiring practices and corruption in contracting** In contexts where clientelism is common, there is often an expectation from external oil and gas companies that some jobs and contracts must go to specific people or subcontractors. Such nepotism and corruption feeds into a real and perceived sense of exclusion and marginalization of groups who don’t benefit, and further contributes to grievance.
2.4. Implications for conflict prevention

This section has reviewed the literature on the resource curse and rentier state concepts, and identified from practical experience a set of contextual and corporate driven vulnerabilities to petroleum-related violent conflict.

In terms of the resource curse and rentier state literature, implications for conflict prevention include:

- Poor management of the economic downsides associated to oil and gas production (e.g. Dutch Disease, uneven distribution of revenues, price shocks, etc.) sets the stage for reduced livelihood opportunities, inflation, and high unemployment – which add to grievance and often feature as among the causes of violent conflict.

- Corruption and limited transparency in oil and gas revenue, in contexts where the divide is significant between elites who benefit from existing patronage systems and a dispossessed majority, arguably creates a tension, which over time and with other factors may lead to violent conflict.

- Oil and gas revenue may be contested in contexts where there is perceived or actual marginalization of oil and gas producing communities, a perception by an opposition that the power of a regime is directly linked to its control of oil and gas resources, and/or when oil and gas resources become important revenue for rebel or insurgent movements.

- Violent conflict may erupt when changes in the price of oil and gas or reduced national supply disrupts the state’s ability to sustain patron-client relationships, finance a repressive security apparatus, or fund large benefits distribution mechanisms.

From the discussion on contextual vulnerabilities the implications for conflict prevention are:

- Contexts affected by an established infrastructure of violence and state fragility are more likely to see the violent expression of petroleum-related conflicts.

- Petroleum-related violent conflicts are likely to be triggered by public security human rights violations, but also from governance rooted disputes related to the ownership, management, and benefits sharing of petroleum resources, as well as frustration linked to local content, compensation, and weak enforcement of social and environmental standards.

- Operational issues (onshore exploration/production, proximity to communities, limited experience and high expectations, and the timing of activities) are likely to further increase vulnerability.

In relation to corporate-driven vulnerability, the implications for conflict prevention strategy are the following:

- Oil and gas companies can play an important role in fueling violence and tensions in countries where the state is weak and society is affected by divisions. This role is best unpacked by understanding the corporate culture, policy frameworks, and
practices of individual companies.

- Time pressure, limited funds to invest in social performance, and inexperience of how to operate in fragile environments properly are the main drivers of corporate contributions to violence and tension.

3. Prevention strategies for petroleum-related violent conflict

The vulnerabilities outlined in Section 2 involve a range of actors: government, communities, civil society, and the corporate sector (oil and gas companies and others). Vulnerabilities also span areas of governance, security, economy, operations, and corporate issues. What this means is that any prevention strategy that addresses the potential for petroleum-related violent conflict needs to involve multiple actors and address issues in multiple sectors.

It is not the purpose of this section to suggest a petroleum-related conflict prevention strategy for any given country. Rather, drawing on lessons from elsewhere, it offers process insights on where and how to start a strategy formulation process, perspectives on the political decision-making required, options for technical measures to address identified vulnerabilities, and a set of basic ‘do no harm’ measures for companies conducting oil and gas exploration activities.

The basic change theory is one that if a preventive strategy is formulated, appropriate political decisions are taken, key technical measures are implemented, and measures specific to companies are enforced, then vulnerability to petroleum-related violent conflict is reduced and such conflict may be prevented.

Figure 2: Change theory for preventing petroleum-related violent conflicts

There are three main caveats to consider when it comes to the subsequent sections on preventive strategy formulation, political decision-making, technical measures, and measures specific to the corporate sector.

First, the purpose of the subsequent sections is to give a sense of processes and options available to reduce vulnerability to petroleum-related violent conflict. However, the processes and options given are not exhaustive. Ultimately, the context determines what needs to be done and the processes and measures involved may not be ones listed here.
Second, all the processes and options provided below involve complex activities, implementation challenges and dilemmas, and there’s a rich body of literature on practice in relation to each. The description given is likely to be found wanting. Simplification and generalization has been used liberally in order to give a sense of breadth and of what is involved.

Finally, the record of preventing petroleum-related violent conflict is poor. We simply do not know enough about what works and what does not, and there are many intervening factors beyond what is actually done that determine success or failure. The reflections provided below therefore aim only to provide a small contribution to improving the existing knowledge base.

3.1. Where and how to start?

The first step required in relation to a preventive strategy for petroleum-related violent conflicts, is to determine if the risk warrants it. A key question, therefore, is whether the vulnerabilities identified for petroleum-related violent conflict risk are significant for a given country. Table 1 places the vulnerability indicators identified in Section 2 in a risk assessment framework.

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk Factor for Petroleum Related Violent Conflict</th>
<th>Risk Score for Country X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource curse</td>
<td>• There is limited government policy development on the management of the economic downsides associated to oil and gas production</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>• There is a risk for corruption and limited transparency in oil and gas revenue sharing</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>• Oil and gas revenue is contested or is likely to be contested</td>
<td>?</td>
</tr>
<tr>
<td>Rentier state</td>
<td>• State-society relations are characterized by patron-client relationships</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>• There is a risk that oil and gas revenue is used to sustain large and repressive state security forces</td>
<td>?</td>
</tr>
<tr>
<td>Infrastructure of Violence</td>
<td>• There is widespread availability of SALWs</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>• There is high youth unemployment</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>• War economies are established and entrenched</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>• There are a number of important community conflicts and armed groups in oil/gas rich areas</td>
<td>?</td>
</tr>
<tr>
<td>State Fragility</td>
<td>• The state has limited territorial control, particularly in oil/gas rich areas</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>• There are systematic human rights violations by security forces</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>• There is weak institutional capacity to sustain</td>
<td>?</td>
</tr>
</tbody>
</table>
and follow through on petroleum sector stakeholder dialogue

### Legislation and Regulation
- There are unresolved ownership, management, and benefits sharing challenges
- The state has not legislated on local content arrangements, or these are weak
- Compensation scales for lost land, livestock, livelihoods are outdated
- There is weak or poor government capacity to develop and enforce social and environmental regulations

### Operational Issues
- There is significant onshore exploration or production activities
- Onshore exploration or production is in proximity to communities
- Exploration/production activities are taking place at a sensitive time for the country
- There is limited government/societal experience with oil/gas, and high expectations of what it may yield

If the risk is deemed high, then the **second step** is to qualify and quantify the vulnerability of a given country to petroleum-related violent conflict, and assess the extent to which corporate actors contribute or not to this vulnerability. This has been done before in Nigeria, for example, in a process initiated by the Shell Petroleum Development Company and subsequently supported by the Federal Government of Nigeria. See Box 1 for details on how this was done.

A **third step** is a broad-based national consultation on how to use potential oil and gas revenue for national development. The United Nations Development Programme (UNDP) in Mauritania successfully implemented such a consultation in 2005 as part of a broader dialogue between government and opposition on the Millennium Development Goals. The consultation on oil and gas revenue was part of a conversation on the national economy and served multiple purposes: (a) it opened up a public discussion on oil and gas revenue implications for the country, which had hitherto been restricted; (b) it used radio and television coverage of the

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**Box 1: Shell and Federal Government Efforts to Prevent an Escalation of Violent Conflict in the Niger Delta**

In 2002-2003, the Shell Petroleum Development Company (SPDC) in Nigeria initiated the preparation of a Peace and Security Strategy (PASS). The objectives of PASS were to enable SPDC to understand violent conflict trends in the Niger Delta, position the company to do ‘no harm’, and better support Federal and State government efforts to improve the operating environment. An internal SPDC steering group oversaw the work of external consultants, who over 12 months studied the external Niger Delta conflict environment and SPDC corporate culture, policy framework, and practice. The resulting analysis fed into a PASS designed to enable SPDC to reach its objectives. It also led to the creation of an internal PASS Secretariat that coordinated the implementation of the strategy. This was followed by the establishment of a civil society led “External PASS Secretariat”, funded by the Nigerian National Petroleum Corporation, and

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5 Understanding the impact of oil/gas companies involved in exploration activities would require a company-by-company assessment of their corporate culture, policy, and practice.
consultation to educate the population on exploration activities and what oil/gas production could mean; and (c) it created a space for a constructive discussion on different visions for how to use oil and gas revenue in the context of national development.⁷

Beyond these three steps required for preventive strategy formulation, there are preventive and other measures that have been used to manage specific vulnerabilities. Some of these measures speak to political decision-making, while others are technical remedies to the more specific vulnerabilities identified. These are outlined below based on the author’s experience and interviews with other practitioners.

### 3.2. Political decision-making

Political decision-making plays a fundamental role in the management of pitfalls that come with oil and gas abundance, including reducing vulnerability to petroleum-related violent conflict. In fact, without it, none of the technical measures outlined in the following section will have much effect.

There is a growing amount of literature about the role of political decision-making in countries (Canada, Norway, Oman, etc.) that have successfully managed the pitfalls of resource-abundance. There are three political decisions (of many more) from Norway and Oman that can be usefully mentioned here as having contributed to setting the stage for peaceful resource exploitation in those countries:

- **Oil: The people’s property** The Norwegian principle of seeing oil and gas wealth as ‘owned by the people’ has its roots in that country’s social democratic history, but also in a little known concessions law of 1909, pertaining to hydropower and waterfalls, which stated that the energy given by nature could not belong to any one individual, but should belong to the people as a whole (Ryggvik, 2010). This principle informed how Norway approached wealth from oil and gas; as an endowment by nature to present and future generations of Norwegians.

- **Take the time to get it right** When oil prospecting in the Norwegian Sea became interesting for international oil and gas companies and the first companies approached the Norwegian government in 1961, Norway had not yet claimed sovereignty over the Norwegian Continental Shelf, there was no Petroleum Law, and the oil and gas related regulatory framework was in its infancy. However, by the time the first exploration licenses were granted in 1965, maritime boundaries with the United Kingdom and Denmark had been agreed, and the Norwegian Parliament passed the Norwegian Petroleum Law (Heum, 2008). Norway did not rush into licensing exploration, but took its time to put into place the agreements and laws required for a good start to resource exploitation.

- **Set a development pathway** When Sultan Qaboos bin Said deposed his father in 1970, Oman had a population of about 666000, “three schools, 12 hospital beds, 10 KM of paved roads, 557 telephone lines and a per capita income of less than US$400” and an insurgency in southern Dhofar (Looney, 2009; 5). In the period 1975-1995, Oman launched four 5-year development plans, which aimed to: (a) develop new sources of national income that would eventually replace oil revenues;

(b) increase national investments directed to income-generating projects; (c) distribute national investments to spread prosperity to the different regions of the Sultanate; (d) support the maintenance of existing population centres and communities; (e) develop natural water resources; (f) develop local human resources and meet infrastructure requirements; (g) remove market deficiencies to support commercial enterprise; and (h) improve the efficiency of government administration (Looney, 2009; 6). Although a number of difficulties in formulating and executing these development plans are noted in the literature (Al Yousef, 1997) the period of 1980-1995, for example, saw average life expectancy rise by 10 years, and expected years of schooling increased from 3.5 to 9.7.  

In relation to specific vulnerabilities to petroleum-related violent conflict, six political decisions can be outlined.

- **Make sure the right policy and legal framework is conflict-sensitive.** Insights on policy, legal framework, and regulation is given in other chapters of this compendium. The key point for decision-making is to ensure that the process (and process outcomes) of developing a policy and legal framework is conflict-sensitive and do not exacerbate latent tensions.

- **Institute a zero-tolerance to corruption and full transparency in revenue generation and use.** Without political leadership and support, anti-corruption efforts fail. A sustained zero-tolerance approach to corruption and commitment to transparency in revenue generation and use is important.

- **Accept that contestation of revenue ownership, management, and sharing is part of a consensus building process on how revenue should contribute to national development.** Acceptance that contestation is inevitable and provides an opportunity to improve how revenue can best be used for national development is a precondition for dialogue. Leadership is also critical in the process of negotiating revenue ownership, management and sharing; and in defining solutions that can be agreed by contesting parties.

- **Call for and keep on the agenda the demilitarization of society, empowerment of youth, and resolution of local and inter-ethnic conflicts.** Experience shows that unless the infrastructure of violence is dismantled, then measures to prevent or resolve conflict are likely to fail. Keeping the political goal in focus of demilitarizing society, empowering youth, and resolving localized violent conflicts is a critical first step in efforts to make peace work and reduce the potential of petroleum-related violent conflict.

- **Institute a zero-tolerance to human rights violations by public security forces.** As with anti-corruption, a political commitment not to condone any human rights violations by public security forces is an important way of building trust in public security and keeping civilian control of the armed forces.

- **Hold oil and gas companies accountable against international standards for their conduct in the country.** In addition to established international standards on social (including human rights) and environmental performance, section 3.4 below provides

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8 See [http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/OMN.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/OMN.pdf)
a list of measures needed to ensure exploration and production companies ‘do no harm’. A political decision to hold oil and gas companies accountable to international standards and a ‘do no harm’ approach in a fragile context is important.

These political decisions, along with technical measures are outlined in Table 2 below. Technical measures to tackle identified vulnerabilities are outlined in more detail in Section 3.3.
<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk Factor for Petroleum Related Violent Conflict</th>
<th>Political Action</th>
<th>Technical Measures</th>
</tr>
</thead>
</table>
| **Resource curse** | • There is limited government policy development on the management of the economic downsides associated to oil and gas production  
• There is a risk for corruption and limited transparency in oil and gas revenue sharing  
• Oil and gas revenue is contested or is likely to be contested | • Make sure the right policy and legal framework is conflict-sensitive  
• Institute a zero-tolerance to corruption and full transparency in revenue generation and use  
• Accept that contestation of revenue ownership, management, and sharing is part of a consensus building process on how revenue should contribute to national development | • Technical Assistance on policy and legal framework development, including conflict-sensitivity assessments of policies considered  
• Increased government and corporate transparency in revenue management  
• Establishment of Development Fund, which benefits from a percentage of oil/gas revenue, and has strong national and international oversight mechanisms |
| **Rentier state** | • State-society relations are characterized by patron-client relationships  
• There is a risk that oil and gas revenue is used to sustain large and repressive state security forces | • Institute a zero-tolerance to societal corruption and nepotism  
• Institute a zero-tolerance to human rights violations by public security forces | • Sign up to, ratify, and implement the United Nations Convention Against Corruption (UNCAC)  
• National consultation process to develop consensus and framework on use for national development of oil and gas revenue |
| **Infrastructure of Violence** | • There is widespread availability of SALWs  
• There is high youth unemployment  
• War economies are established and entrenched  
• There are a number of important community conflicts and armed | • Call for and keep on the agenda the demilitarization of society, empowerment of youth, and resolution of local and inter-ethnic conflicts | • Disarmament, Demobilisation, and Reintegration (DDR) processes  
• Youth empowerment (including vocational training, SME support, entrepreneurship development) projects and programmes to... |
<table>
<thead>
<tr>
<th>State Fragility</th>
<th>Legislation and Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The state has limited territorial control, particularly in oil/gas rich areas</td>
<td>• There are unresolved ownership, management, and benefits sharing challenges</td>
</tr>
<tr>
<td>• There are systematic human rights violations by security forces</td>
<td>• The state has not legislated on local content arrangements, or these are weak</td>
</tr>
<tr>
<td>• Institute a zero-tolerance to human rights violations by public security forces</td>
<td>• Compensation scales for lost land, livestock, livelihoods are outdated</td>
</tr>
<tr>
<td>• Security Sector Reform (SSR) processes</td>
<td>• There is weak or poor government capacity to enforce social and environmental regulations</td>
</tr>
<tr>
<td>• Human rights training for public security forces</td>
<td>• As above (Take the time)</td>
</tr>
<tr>
<td></td>
<td>• As above (Technical Assistance)</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
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<th></th>
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</thead>
<tbody>
<tr>
<td>investment in labour intensive sectors</td>
<td></td>
</tr>
<tr>
<td>• Negotiated law enforcement and community security projects</td>
<td></td>
</tr>
<tr>
<td>• Targeted community-level conflict resolution processes</td>
<td></td>
</tr>
<tr>
<td>• Community-based early warning and response systems</td>
<td></td>
</tr>
<tr>
<td>• Security Sector Reform (SSR) processes</td>
<td></td>
</tr>
<tr>
<td>• Human rights training for public security forces</td>
<td></td>
</tr>
<tr>
<td>• As above (Technical Assistance)</td>
<td></td>
</tr>
<tr>
<td>• As above (Technical Assistance)</td>
<td></td>
</tr>
<tr>
<td>• Legislative review and research to update compensation scales</td>
<td></td>
</tr>
<tr>
<td>• Technical Assistance to strengthen the inclusion of social and environmental performance standards and norms during contract negotiations</td>
<td></td>
</tr>
<tr>
<td>• Establishment of national</td>
<td></td>
</tr>
<tr>
<td>Operational issues</td>
<td>Ombudsman function and Alternative Dispute Resolution facility</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>• There is significant onshore exploration or production activities</td>
<td>• As above (National consultation)</td>
</tr>
<tr>
<td>• Onshore exploration or production is in proximity to communities</td>
<td>• Oil and gas exploration/production awareness-raising campaigns</td>
</tr>
<tr>
<td>• Exploration/production activities are taking place at a sensitive time for the country</td>
<td></td>
</tr>
<tr>
<td>• There is limited government/societal experience with oil/gas, and high expectations of what it may yield</td>
<td></td>
</tr>
<tr>
<td>• Hold oil and gas companies accountable against international standards for the conduct in the country</td>
<td></td>
</tr>
</tbody>
</table>
3.3. Technical measures

The literature on measures that reduce vulnerability to petroleum-related violent conflict is broadly focused on conflict prevention in natural resource management\(^9\). Measures are listed that relate to national policy, regional and international instruments, and external support activities. An overview of a toolbox that emerges from different sources is given in Table 3.

There are an additional set of measures that emerge from the experience of the author and interviews conducted as part of this study. These are described below and relate to the specific areas of vulnerability to petroleum-related violent conflict.

**Preventive measures: Resource curse and rentier state**

- **Technical Assistance on policy and legal framework development, including conflict-sensitivity assessments of policies considered** A key challenge in the process of policy development needed for effective natural resource management (including work on macroeconomic policy, economic diversification, revenue management, etc.) is the absence of a conflict-sensitivity lens. The “right” policy and legal framework may aggravate grievances or reinforce inequitable resource sharing arrangements, which in turn can create tensions.

- **Increased government and corporate transparency in revenue management** Transparency in revenues received and expenditure is an important confidence-building measure, both among interested national actors (civil society, opposition, etc.) and international oil and gas companies. There are several available instruments through which to promote transparency and anti-corruption, including the Extractive Industries Transparency Initiative (EITI) and United Nations Convention Against Corruption (UNCAC).

- **Establishment of a Development Fund, which benefits from a percentage of oil/gas revenue, and has strong national and international oversight mechanisms** In some countries, governments have set up development funds (such as the Rivers State Sustainable Development Fund in Rivers State, Nigeria), which receive a percentage allocation of oil and gas revenue to pursue development objectives. Where these have included robust national and international oversight (e.g. through a supervisory board of eminent national and international organisations), their potential impact improves.

- **National consultation process to develop consensus and framework on use for national development of oil and gas revenue** An example of how this was done in Mauritania is outlined in Section 3.1. Additional approaches include more ambitious engagement in participatory and inclusive decision-making processes involving natural resources (see for example UNDG-ECHA Guidance Note, 2013).

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\(^9\) Note: These are different from those used to resolve natural resource conflicts, although there are, of course, measures applicable to both prevention and resolution.
Preventive measures: Infrastructure of violence

- **Disarmament, demobilization, and reintegration (DDR) processes** Much has been learnt over the last 20 years about the do’s and don’ts when it comes to DDR processes, including the need for different approaches in situations where armed conflict is between clearly defined fighting forces (traditional DDR) and situations characterized by armed violence (“Second Generation programmes). The latter are deployed to support formal peace processes, build trust, and contribute to a more secure environment, often starting at the very local level and adapting to contextual changes (DPKO, 2010). There is extensive and accessible literature on this topic, which is not summarised here.

- **Youth empowerment (including vocational training, SME support, entrepreneurship development) projects and programmes to stimulate employment through investment in labour intensive sectors** There are several examples of relatively effective youth empowerment and employment programmes in violent conflict affected regions, including Nepal (Jobs for Peace 2009-2011) (ILO, 2011) and Sierra Leone (“Youth Employment and Empowerment Programme, 2011-2012” (UNDP, no date) These are often focused on vocational training, agriculture, support to enterprise, public works and waste management schemes, and job seekers assistance.

- **Negotiated law enforcement and community security projects** In cases where public security forces are seen as complicit in human rights violations and insecurity is high, negotiated law enforcement processes and community security projects may help improve overall security. Negotiated law enforcement is often a temporary measure where a third party facilitates dialogue between community representatives and public security on the conduct of public security and ‘terms of entry’ into communities or city areas. Communities in turn will agree not to give shelter to armed groups or criminals, or at least not actively protect them. A more structured and sustainable approach is what is referred to as ‘community security’, defined by Saferworld as “a people-centred approach to addressing insecurity that [brings] together a wide range of state and civil society actors from the security demand and supply sides to identify root causes of insecurity collectively and develop coordinated responses to them. The approach builds the capacity and willingness of communities, local authorities and security providers to address their own sources of insecurity.” (Saferworld, 2014)

- **Targeted community-level conflict resolution processes** There are many different types of community-level violent conflicts, issues involved and, of course, actors. The way these conflicts break out, their specific histories, and impact of national and regional contexts necessarily means that there is no one model or process for resolving them. Typically, though, a community level conflict resolution process involves analysis, intervention planning, the implementation of a set of conflict de-escalating and peace promoting actions, an agreed resolution process involving key stakeholders, an agreement, and the monitoring of the implementation of that agreement (see DPA and UNEP, 2015; and USAID, 2013).

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11 See http://www.undp.org/content/dam/sierraleone/docs/projectdocuments/povreduction/undp_sle_YEEPprodoc.pdf
• **Community-based early warning and response systems** In particularly volatile areas, community-based early warning and response systems (sometimes referred to as Third Generation systems) can be put in place and linked to ongoing conflict resolution and community security initiatives. Such systems involve local monitors and responders whose role is to respond to rumours and other triggers of violence through fact-finding and preventive action.

**Preventive measures: State fragility**

• **Security Sector Reform (SSR) processes** Security sector reform is a lengthy, complex, and political process, which aims to foster effective, inclusive and accountable security institutions that contribute to peace, security, development, and human rights. In environments characterized by state fragility and violent conflict, security concerns, weak government institutions, and often a fragmented society compound the difficulty of reforming the security sector. Key areas of action include work on national security policy and strategy, security sector governance and oversight, management of the security sector, and defence sector reform (England and Boucher, 2009). As with DDR, there is extensive and accessible literature on good practice in security sector reform processes, which is not summarised here.

• **Human rights training for public security forces** A short-term measure often used by companies to reduce adverse human rights impacts of public security forces is human rights training. The challenge is typically to gain acceptance of such training and ensure that public security forces deployed to protect petroleum exploration and production assets receive regular training.

**Preventive measures: Legislation and regulation**

• **Legislative review and research to update compensation scales** Updating compensation scales of individuals and communities that are negatively affected by oil and gas exploration/production involves legislating to adjust any previous scales to current market rates associated to the loss or destruction of a livelihoods asset.

• **Technical Assistance to strengthen the inclusion of social and environmental performance standards and norms during contract negotiations** In situations where an oil and gas company or consortium of companies are not voluntarily bound by commitments to international social and environmental performance standards, technical assistance will be needed to support the government on this during contract negotiations.

• **Establishment of national Ombudsman function and Alternative Dispute Resolution (ADR) facility** An Ombudsman or facility for ADR is normally established by government and enables the public to have cases of rights violations adjudicated or resolved without recourse to the judiciary. In contexts where the judiciary works poorly and social and environmental standards are poorly enforced, these offer alternative, cheaper and often faster ways for individuals, communities, and companies to resolve disputes.

**Preventive measures: Operational issues**

• **Oil and gas exploration/production awareness-raising campaigns** Awareness-
raising is often needed that explains to communities and other stakeholders what is entailed in exploration/production, what the chances of success are, and what social investments companies will make. These are typically implemented through a variety of media (television, radio, newspapers) and sustained over time.

Table 3: National policy, international measures, and external support activities to tackle natural resource conflicts

<table>
<thead>
<tr>
<th>National policy measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Source:</strong> Adapted from the UN Interagency Framework Team for Preventive Action (2011)</td>
</tr>
<tr>
<td><strong>Macroeconomic policy</strong></td>
</tr>
<tr>
<td>Fiscal policy:</td>
</tr>
<tr>
<td>• Expenditure (short term): Prevent overheating and create a reserve fund for countercyclical intervention and investment.</td>
</tr>
<tr>
<td>• Expenditure (medium term): Well-balanced public investment to encourage and facilitate diversification into non-resource tradable sectors.</td>
</tr>
<tr>
<td>• Revenue (short term): Maximize income on resource flows by setting appropriate royalties and tax rates.</td>
</tr>
<tr>
<td>• Revenue (medium term): Broaden the direct tax base, with a view to preventing excessive inequality.</td>
</tr>
<tr>
<td>Monetary policy:</td>
</tr>
<tr>
<td>• Short term: Use central bank rate and regulation of commercial bank reserves to prevent excessive inflationary pressure.</td>
</tr>
<tr>
<td>• Medium term: Facilitate private investment that supports a diversification of the economy into non-resource tradables and support active exchange rate management</td>
</tr>
<tr>
<td>Exchange rate policy:</td>
</tr>
<tr>
<td>• Short term: Employ stable exchange rate regime to prevent nominal appreciation.</td>
</tr>
<tr>
<td>• Medium term: Maintain a stable real exchange rate in order to maintain a diversified economy, including a productive non-extractive tradable sector.</td>
</tr>
<tr>
<td><strong>Promote economic diversification</strong></td>
</tr>
<tr>
<td>• Use taxation to incentivise economic diversification</td>
</tr>
<tr>
<td>• Invest revenues in agricultural development</td>
</tr>
<tr>
<td>• Support the manufacturing sector, particularly labour-intensive activities</td>
</tr>
<tr>
<td>• Encourage extractive sector to tap into local capital and labour inputs to increase local content and strengthen local linkages along the extraction value chain</td>
</tr>
<tr>
<td><strong>Effective revenue management</strong></td>
</tr>
<tr>
<td>Build national and local consensus on natural resource management</td>
</tr>
<tr>
<td>• Introduce transparency provisions with a Charter of Good Governance and natural resource laws</td>
</tr>
<tr>
<td><strong>Tackle asymmetries during contract negotiations</strong></td>
</tr>
<tr>
<td>• Support countries to strengthen standards and guidelines for contract negotiations, at the regional or sub-regional level</td>
</tr>
<tr>
<td>• Support international coalitions to influence contract negotiations and publicize contract details</td>
</tr>
</tbody>
</table>
• Award contracts through an open auction system

Improve revenue collection
• Adopt tax regimes that ensure stable flow of revenues:
• Strengthen the institutional capacity of administrative agencies responsible for levying and collecting taxes:

Invest revenues
• Use revenues for public investments in physical assets and human capital to break the cycle of resource dependence, low human development and conflict
• Allocate resources to address horizontal and vertical inequalities
• Ensure that temporary gains become long-term benefits, especially in the event of a fall in the international prices for oil or minerals

### Regional and international measures

<table>
<thead>
<tr>
<th>Source: Adapted from Bannon and Collier (Eds) (World Bank) (2003) and Garrett and Piccini (SIPRI) (2012)</th>
<th>Increase transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>• EITI</td>
<td>• Publish What You Pay</td>
</tr>
<tr>
<td>• Country-by-Country Reporting (CBCR) (European Commission)</td>
<td></td>
</tr>
<tr>
<td>Reduce the ability of armed group to finance insurgency through natural resources</td>
<td></td>
</tr>
<tr>
<td>• The Kimberley Certification Process Scheme</td>
<td>• Timber certification</td>
</tr>
</tbody>
</table>

### Criminalise poor corporate conduct

<table>
<thead>
<tr>
<th>Source: Adapted from the UNDG-ECHA Guidance Note (2013) and UNDPA/UNEP (2015)</th>
<th>Support consensus building</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Train disputing groups on advocacy, negotiation, analysis and dialogue skills to facilitate their engagement in participatory and inclusive decision-making processes involving natural resources</td>
<td></td>
</tr>
<tr>
<td>• Environmental and social impact assessment</td>
<td>• Grievance mechanisms</td>
</tr>
<tr>
<td>• Transparency</td>
<td>• Democratic control</td>
</tr>
<tr>
<td>• Capacity to negotiate concession terms</td>
<td>• Monitoring</td>
</tr>
<tr>
<td>• Dialogue with affected communities</td>
<td>• Supporting social investments</td>
</tr>
</tbody>
</table>

Provide access to impartial scientific and technical information
<table>
<thead>
<tr>
<th>Strengthen the capacity of government employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Training and mentoring on natural resource management</td>
</tr>
<tr>
<td>• Training and mentoring on conflict resolution</td>
</tr>
<tr>
<td>Support restoration and rehabilitation projects</td>
</tr>
<tr>
<td>• Support the restoration or rehabilitation of “common resource pools” such as grazing, forests and wells that may be degraded by conflict or natural resource exploitation</td>
</tr>
</tbody>
</table>
3.4. Specific measures for oil and gas companies

Oil and gas exploration and production companies can play an important role in reducing vulnerability to petroleum-related violent conflict. 12 preventive measures that can make a difference are listed in Table 4 and described further below.

Table 4: Corporate preventive measures

<table>
<thead>
<tr>
<th>Company driven vulnerabilities</th>
<th>Key preventive measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate policy</strong></td>
<td></td>
</tr>
<tr>
<td>• Oil/gas companies involved in exploration/production have weak social performance policy and guidance</td>
<td>• Define policy and guidance requirements, develop policy and guidance for staff on key social performance topics, and resource their implementation</td>
</tr>
<tr>
<td>• Oil/gas companies involved in exploration/production operate inaccessible or weak grievance mechanisms</td>
<td>• Develop and implement accessible grievance mechanisms; raise awareness of their existence</td>
</tr>
<tr>
<td>• Oil/gas companies involved in exploration/production have limited guidance and experience on the VPSHR</td>
<td>• Commission a VPSHR assessment and action plan development; adequately resource its implementation</td>
</tr>
<tr>
<td><strong>Corporate culture</strong></td>
<td></td>
</tr>
<tr>
<td>• Oil/gas companies involved in exploration/production display inappropriate behaviour and actions</td>
<td>• Put in place Code of Conduct for staff</td>
</tr>
<tr>
<td>• Oil/gas companies involved in exploration/production engage in confrontational and insensitive community relationships</td>
<td>• Provide cultural and ‘do’s and don’ts’ briefings to staff</td>
</tr>
<tr>
<td>• Oil/gas companies involved in exploration/production engage in &quot;Promise it if it’ll keep us on schedule, others will deal with the legacy&quot;</td>
<td>• Ensure adequately resourced community relations team is in place</td>
</tr>
<tr>
<td><strong>Corporate practice</strong></td>
<td></td>
</tr>
<tr>
<td>• Oil/gas companies involved in exploration/production have limited contextual understanding</td>
<td>• Review security arrangements from a conflict-sensitivity perspective</td>
</tr>
<tr>
<td>• Oil/gas companies involved in exploration/production have weak expectations management</td>
<td>• Keep a register of commitments and ensure timely implementation</td>
</tr>
<tr>
<td>• Oil/gas companies involved in exploration/production resolve disputes through cash transfers or project promises</td>
<td>• Invest in context assessments, including stakeholder analyses, political risk assessments, conflict and human rights analyses; regularly update these</td>
</tr>
<tr>
<td>• There is nepotism in oil/gas company hiring practices and corruption in contracting</td>
<td>• Develop and execute an expectations management strategy; monitor its implementation and punish deviations</td>
</tr>
<tr>
<td>• Put in place a Code of Conduct for staff. Such a Code of Conduct needs to specify the values and behaviours staff are expected to follow in-country, along with sanctions for non-compliance.</td>
<td>• Institute a policy of not rewarding violence and zero-tolerance to bribery and corruption</td>
</tr>
<tr>
<td></td>
<td>• Put in place an integrity hotline for staff and others to report corruption or other mismanagement; investigate all allegations</td>
</tr>
</tbody>
</table>
• **Provide cultural and ‘do’s and don’ts’ briefings to staff.** A basic induction package to the country and locality where staff are to be deployed should be prepared, which outlines etiquette, basic protocol when engaging with community members, women, the elderly, and children, taboos and traditions, sacred areas and rites, to mention some. Onsite briefings and monitoring of behavior are also useful.

• **Ensure an adequately resourced community relations team is in place.** Inevitably problems, incidents, and misunderstandings with community members do occur and need to be addressed. A community relations team that is staffed with individuals who have the experience and local contacts to peacefully resolve issues is an important asset.

• **Review security arrangements from a conflict-sensitivity perspective.** A company’s security arrangements should be occasionally reviewed from a conflict-sensitivity perspective to identify ways in which arrangements can ensure good community and labour relations.

• **Keep a register of commitments and ensure timely implementation.** All company promises made by staff to stakeholders need to be logged. Implementation timeframes (and any delays) should be communicated proactively to relevant stakeholders.

• **Define policy and guidance requirements, develop policy and guidance for staff on key social performance topics.** Settings vulnerable to petroleum-related violent conflict often require policy and guidance on stakeholder engagement, human rights, community relations, anti-corruption, security management, including the VPSHR, social investment, contracting and procurement, and labour relations. Where weak, such policy and guidance should be upgraded and staff socialized.

• **Develop and implement accessible grievance mechanisms; raise awareness of their existence.** A grievance mechanism is a formal, legal or non-legal complaint process that a company extends to individuals, workers, communities and civil society groups to signal that they are being negatively affected by business activities. Ultimately, they aim to provide remedy for the aggrieved and serve an important conflict de-escalating role. Guidance on developing such mechanisms is available from a variety of groups.\(^\text{13}\)

• **Commission a VPSHR assessment and action plan development; adequately resource its implementation.** The purpose of the VPSHR assessment and action plan is to ensure that a company’s security arrangements do not negatively affect the human rights of individuals and communities affected by these. The VPSHR assessment process involves risk assessment, reviewing and assessing relations with public and private security providers, engaging with stakeholders, preparing a management and action plan.\(^\text{14}\)

• **Invest in the regular updating of context assessments, including stakeholder analyses, political risk assessments, conflict and human rights analyses.** There are a variety of tools and methods used to help business gain an adequate understanding of the operating environment. Investing in the preparation of context assessments and regularly updating such assessments is important.

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\(^\text{13}\) See, for example, [http://www.shiftproject.org/sites/default/files/OG/ECHRSG.OG.12.pdf](http://www.shiftproject.org/sites/default/files/OG/ECHRSG.OG.12.pdf)

\(^\text{14}\) See, for example, [https://www.miga.org/documents/VPSHR_Toolkit_v3.pdf](https://www.miga.org/documents/VPSHR_Toolkit_v3.pdf)
• **Develop and execute an expectations management strategy; monitor its implementation and punish deviations.** An expectations management strategy targeted at the broader public in exploration contexts is particularly important when a country is new to oil and gas prospecting. Its purpose is to provide predictability of when activities will take place, results known, and what the company has committed to do during the exploration phase.

• **Institute a policy of not rewarding violence and zero-tolerance to bribery and corruption.** When a company responds (quickly) to violent action, and slowly to non-violent complaints, then that sends a signal that violence pays and non-violent means of communication don’t work. If in addition the company rewards violent behavior with cash, projects and contracts in order to ‘get rid of the problem fast’, then it sets precedents that are corrosive for the company and groups involved. Putting in place a policy (and procedures) to respond effectively to non-violent expressions of concern, grievances, etc. is therefore important; as is a zero-tolerance to bribery and corruption.

• **Put in place an integrity hotline for staff and others to report corruption or other mismanagement; investigate all allegations.** Identifying integrity problems and mismanagement is facilitated by putting in place and raising awareness of a hotline for staff and others to report anonymously such issues. Resources are needed to investigate allegations properly and to take necessary actions.

4. Summary and conclusions

The purpose of this paper has been to offer comparative perspectives to the FGS on how to prevent petroleum-related violent conflict. It has done in two ways.

First, it has argued that vulnerability to petroleum-related violent conflict is not only rooted in resource governance challenges, but also in pre-existing contextual factors (related to state fragility, the infrastructure of violence, legislation and regulation, and operational issues) and harmful corporate practices.

Second, it has proposed a theory of change (“if a preventive strategy is formulated, appropriate political decisions are taken, key technical measures are implemented, and measures specific to companies are enforced, then vulnerability to petroleum-related violent conflict is reduced and conflict may be prevented”) and offered insights from elsewhere relevant to each element in the theory of change.

Nonetheless, the paper leaves many questions unanswered and is literally full of question marks and gaps. These relate to the risk to petroleum-related conflict, and the political and technical actions required to address with ‘rentier state’ and state fragility vulnerabilities. Indeed, a key dilemma facing potentially petroleum rich countries today is how actions required for the survival of the state may put a country on the path towards challenges faced by other resource curse affected countries. The paper is also full of caveats, the most fundamental of which is that we know little about how to avoid petroleum-related violent conflict. Rather, we know much about how intractable and difficult these violent conflicts are to deal with.
About the author

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