

TRANSITION MINERALS: the role of multilateral development banks (MDBs)

Position Paper



“As mineral extraction accelerates to match the needs of the energy transition, it is crucial to ensure that the countries and local communities endowed with these resources are the ones to benefit the most.”

- António Guterres, the United Nations Secretary General, April 2024¹.

¹ United Nations, 'Resourcing the Energy Transition: Principles to Guide Critical Energy Transition Minerals toward Equity and Justice', 2024, <https://www.un.org/en/climatechange/critical-minerals>.

Summary

From 2017 to 2022, global demand for transition minerals tripled² and is projected to continue growing. In the last three and a half years, MDBs invested in 46 projects linked to transition minerals³ (approximately US\$ 7.1 billion of investment). The Multilateral Development Banks (MDBs) are being encouraged by G7 countries to support an increase in transition mineral supply chains to the Global North, while a number of mineral rich countries of the Global South are looking to increase their role in and revenue from the mineral value⁴ chain through national industrial strategies.

Although renewable energy, electrification and electric mobility technologies help reduce the overall global emissions of greenhouse gases, there is considerable evidence that the huge and often irreversible adverse impacts on environments and local communities - abuses of indigenous rights and human rights, threats to environmental defenders⁵, forced displacement, gender based violence, water and air pollution and destruction of nature⁶ - created by the mining industry are not adequately taken into account by the companies involved in transition minerals mining and its value chain, including their financiers.

As they look to expand their role in financing transition mineral supply chains, the MDBs must ensure they do not replicate the destructive extractive practices of the fossil fuel era or the legacy of exploitative mining of the past

To prevent and minimise damaging impacts, protect the rights of local populations, and enhance shared benefits for mineral rich countries, the Big Shift Global Coalition recommends that MDBs:

1. **Implement the principles and recommendations set out in the report⁷ for the UN Secretary General's Panel on critical minerals for energy transitions.**
2. **Recognise the need to minimise mineral demand through the full mineral and technology life cycles.**
3. **Put national green industrial strategy, technology transfer and just transition at the centre of investments, rather than investing in export driven expansionism, as well as lift barriers such as debt levels and trade barriers that keep countries focused on exporting raw materials to obtain short-term profits.**
4. **In consultation with civil society, workers and Indigenous Peoples, the MDBs should commit to enhanced due diligence in mining practices, including requiring Free, Prior, and Informed Consent (FPIC) of Indigenous Peoples.**
5. **Ensure the MDB's own accountability, safeguarding and remedy systems are robustly applied to all transition minerals projects, including those supported through financial intermediaries, technical assistance and advisory services, guarantees, and other indirect financing modalities, and throughout the project lifecycle.**

² International Energy Agency (IEA), 'Key Market Trends – Critical Minerals Market Review 2023 – Analysis', IEA, 2023, <https://www.iea.org/reports/critical-minerals-market-review-2023/key-market-trends>.

³ International Accountability Project (IAP), 'Energy Finance Tracker | Tableau Public', https://public.tableau.com/app/profile/iaptableau/viz/GlobalEnergy_16895902797750/GlobalEnergyProjects.

⁴ 'Africa's Green Minerals Strategy (AGMS) | African Union', <https://au.int/en/documents/20250318/africas-green-minerals-strategy-agms>.

⁵ We expose how the industries fuelling the climate crisis profit from destruction and Stand with the People Fighting Back, 'In Numbers: Attacks against Defenders since 2012', Global Witness, 17 September 2025, <https://globalwitness.org/en/campaigns/land-and-environmental-defenders/in-numbers-lethal-attacks-against-defenders-since-2012/>.

⁶ 'EJ Atlas', <https://ejatlas.org/>.

⁷ United Nations, 'Resourcing the Energy Transition: Principles to Guide Critical Energy Transition Minerals toward Equity and Justice'.

6. MDBs must not support projects in locations of conflict and corruption where human rights, community engagement, and social and environmental protection cannot be upheld.
7. Support reform of international investment and trade frameworks to add value to minerals extracted from countries, such as promoting technology transfer, and ending support for investor-state dispute settlements (ISDS).
8. Support artisanal mining practices to protect livelihoods, improve safety and allow access to markets.
9. Support a moratorium on deep seabed mining, due to the extreme economic, social and environmental risks.
10. Ensure effective monitoring on transition minerals value chains, to make sure processed minerals are used in industries that promote energy transition, instead of being supplied to producers of weapons and technologies of mass surveillance.⁸

⁸ 'Martial Mining (2020)', *London Mining Network*, 2020, <https://londonminingnetwork.org/project/martial-mining-2020/>.

1 Global Context for Transition Minerals

The urgent need to keep temperatures below 1.5°C of global warming will require a rapid transition from fossil fuels to a renewable energy powered energy system. Recent experiences of extreme temperatures, wildfires and floods show the energy transition is more urgent than ever. In the rush for renewable energy technologies, however, it is essential not to replicate the destructive extractive practices of the fossil fuel era.

In the past few years, the demand for minerals⁹ - including copper, aluminium, lithium, nickel, cobalt, graphite, and rare earth elements - used to manufacture renewable energy technologies, electric batteries for vehicles, and other technologies used to promote the transition to clean, sustainable energy systems - has considerably increased¹⁰. This demand is only going to rise as renewable energy and electrification of fossil fuelled transport and industries becomes the norm.

There is growing political tension over mineral rights and access to these minerals across the globe. Many of the countries rich in mineral resources are in the Global South with China having dominant control of the market for these resources. In response, the G7 countries have called on the World Bank and other MDBs¹¹ to take a lead in financing mineral supply chains to secure their own needs. For example, by establishing the RISE¹² (Resilient and Inclusive Supply-chain Enhancement) Partnership. While the Global North is focused on supply chain, the agenda for many in the Global South is on building their role in the value chain. For example, the Africa Union Africa Mining Vision which looks at support for artisanal and small-scale mining (ASM) and promoting minerals-based industrialisation.

There is a growing trend among MDBs to position critical minerals as a new investment frontier under the banner of the “energy transition” and giving mineral mining a ‘green’ label. However, there is growing concern that this rush for transition minerals is a new ‘green extractivism’ with communities, ecosystems and countries of the Global South being asked to assume the role of exporter of raw materials and as an environmental and social sacrifice zone to provide for wasteful over consumption of energy in the Global North. This also hides a conflation between minerals mining for the energy transition and the military industrial complex, which is not in the remit for MDBs.

Although renewable energy technologies help reduce the overall global emissions of greenhouse gases, the huge - and often irreversible - adverse impacts on environments and local communities created by the mining industry are usually not appropriately considered by the companies involved in transition minerals mining, the entire value chain and their financiers. There are several documented cases of significant impacts from mining projects, including those funded by MDBs (see case studies below), with outcomes including Indigenous and human rights abuses, forced displacement, loss of land rights, deforestation, over-extraction or pollution of water, conflict and corruption, and sexual and gender-based violence in the mining sector.

⁹ International Energy Agency (IEA), ‘Mineral Requirements for Clean Energy Transitions – The Role of Critical Minerals in Clean Energy Transitions – Analysis’, 2022, <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions/mineral-requirements-for-clean-energy-transitions>.

¹⁰ BSG strongly opposes the recent trend by some countries to refer to fossil gas as a transition mineral, so including the high carbon fossil gas in their transition mineral strategy.

¹¹ G7 Clean Energy Economy Action Plan (2023), <https://www.mofa.go.jp/files/100506817.pdf>.

¹² Extractives Global Programmatic Support (EGPS) and World Bank Group (WBG), ‘Resilient and Inclusive Supply-Chain Enhancement Partnership’, 2024, <https://thedocs.worldbank.org/en/doc/34b21147419ee69181d2610c57e92727-0400072024/original/RISE-Brochure-Booklet.pdf>.

There are growing calls for a moratorium on all deep seabed mining, with significant concern over extensive environmental¹³ impacts on the sea beds and sea life, plus potential for significant social and economic¹⁴ impacts on island communities and countries. The harms of deep-sea mining on migratory fish patterns, marine biodiversity, and long-term ecosystem health are unknown and may be immediate and irreversible.

In this context, in 2024 the United Nations Secretary António Guterres established a Panel on critical minerals for energy transition¹⁵, asking key stakeholders - including industry, MDBs and civil society representatives - to develop a set of common and voluntary principles to build trust, guide the transition, and accelerate the race to renewables. The Panel recommended seven Principles:

- 1. Human rights must be at the core of all mineral value chains.**
- 2. The integrity of the planet, its environment, and biodiversity must be safeguarded.**
- 3. Justice and equity must underpin mineral value chains.**
- 4. Development must be fostered through benefit sharing, value addition and economic diversification.**
- 5. Investments, finance and trade must be responsible and fair.**
- 6. Transparency, accountability and anti-corruption measures are necessary to ensure good governance.**
- 7. Multilateral and international cooperation must underpin global action and promote peace and security**

¹³ Rose Morrison, 'Why We Need a Deep-Seabed Mining Moratorium', *Earth.Org*, 6 August 2025, <https://earth.org/protecting-uncharted-ecosystems-why-we-need-a-deep-seabed-mining-moratorium/>.

¹⁴ Satyendra Prasad and Emily Hardy, 'Why Pacific Island States Are Concerned About Deep-Sea Mining', Carnegie Endowment for International Peace, 2023, <https://carnegieendowment.org/posts/2023/11/why-pacific-island-states-are-concerned-about-deep-sea-mining?lang=en>.

¹⁵ United Nations, 'The UN Secretary-General's Panel on Critical Energy Transition Minerals', 2024, <https://www.un.org/en/climatechange/critical-minerals>.

2 Just Transition Principles for Transition Minerals

Current practices globally often exclude communities and Indigenous peoples living in the vicinity of mining projects, who are the most impacted and less rewarded by the richness of their lands.

The onus is on the MDBs, as they consider public funding for transition minerals, to put the voices and rights of communities and Indigenous peoples directly affected by mining at the centre of any project. This means adhering to principles of just transition (see box below), promoting human rights respect, environmental standards, local value addition, and adherence to labour rights.

It is estimated that 54%¹⁶ of transition minerals extraction projects overlap with Indigenous peoples' lands and yet, the legacy of mining shows the key challenges faced by communities include¹⁷ violation of Indigenous Peoples' Rights. Indigenous communities are disproportionately affected by mining activities, face land dispossession, cultural erosion, and economic marginalisation, undermining their rights and livelihoods.

Communities must have the right to self-determination, including the right to say no to a project, including implementation of free, prior and informed consent (FPIC) for indigenous communities. If communities accept the project and it is within the framework of environmental limits, and in compliance with local norms and international standards, they should control the extraction, measures to reduce and mitigate impacts, and the local reinvestment of profits.

As a starting point, local communities need to be empowered with the knowledge to control the extraction and management of resources from their territories, and the profits gained from such activities should be reinvested by the same communities to promote locally led environmental and social development. This needs to be defined by the communities themselves and not by the mining companies or MDBs.

A major challenge for mineral rich countries is that weak governance structures and regulatory oversight for mining operations can lead to perpetuation of human rights abuses, including child labour, gender-based violence, exploitation of workers, and community displacement in mining regions, as well as irreparable environmental damage including deforestation, water pollution, loss of biodiversity, and exacerbating ecological fragility. Often ineffective legal frameworks, including existing laws and regulations, fail to adequately protect communities and indigenous rights and/or to safeguard water, land, forests and clean air.

The MDBs must ensure their own accountability, safeguarding and remedy systems are robustly applied to all mining of transition minerals and must help incentivise countries to develop and apply effective governance and oversight of safeguarding regulations.

¹⁶ Deanna Kemp et al., '54% of Projects Extracting Clean Energy Minerals Overlap with Indigenous Lands, Research Reveals', 2022, <https://phys.org/news/2022-12-energy-minerals-overlap-indigenous-reveals.html>.

¹⁷ Right Energy Partnership with Indigenous Peoples, *Mining of Critical Minerals for Clean Technologies at the Cost of Indigenous Peoples' Rights and the Environment*, 8 April 2024, <https://rightenergypartnership.org/mining-of-critical-minerals-for-clean-technologies-at-the-cost-of-indigenous-peoples-rights-and-the-environment/>.

Importantly, MDBs must not support projects in locations of conflict and corruption where just transition cannot take place, where community and CSO voices cannot be heard, and human rights, social and environmental standards cannot be upheld or monitored. Additionally, MDB resources should not be used to enhance mineral extraction for use of minerals for military and defence purposes - and tracking and care must be taken to avoid this.

Just Transition principles for policies and project design and implementation:

- Communities have access to accountability mechanisms to hold MDBs and the projects they support to the highest standards of social and environmental safeguarding.
- Transparency in decision-making and financial traceability.
- Equitable distribution of the benefits coming from the transition.
- Focus on local communities, Indigenous Peoples and vulnerable groups, with particular focus on women, youth and marginalised groups.
- Robust implementation of social and environmental safeguards, including access to information, consultation, and implementation of the process for Free, Prior and Informed Consent (FPIC).
- Meaningful participation of local and Indigenous communities at all stages (planning, implementation, monitoring).
- Full project cycle evaluation to consider environmental and social impacts, labour rights, resource waste, and greenhouse gas emissions.
- Consideration of aggregated availability and viability of projects, mining projects' cumulative effects and synergies.

3 Circular economy

The IEA's projections¹⁸ for mineral demand for energy transition recognise that there are a number of bottlenecks in the supply of minerals, including the geographic concentrations of many minerals in specific countries and the risks posed by the environmental and social impacts of mineral mining. The IEA concludes that efforts to scale-up investment in mineral supply chains should go together with a broad strategy that encompasses technology innovation, recycling, supply chain resilience and sustainability standards.

The primary means to reduce mineral demand is to ensure energy planning, particularly in the Global North, prioritises energy sufficiency and efficiency, and penalises wasteful energy use and excessive technology expansion in pursuit of profit. It will be important to ensure minerals are part of a circular economy where extracted materials remain in society for longer and that at the end of a technology's lifespan, the materials are recovered and looped back into the production of new products and technologies.

There are three broad circular economy approaches: reduced demand, lifetime extension, and recycling. MDBs could reorient their efforts towards the promotion of recycling and reuse of minerals and metals, the decrease in demand for energy, and the increase in energy efficiency. While some MDBs recognise the need to look at the life cycle of the mineral supply chain and to recycle minerals, they are often dismissive of the idea that this approach can dramatically reduce the demand for transition minerals.

4 The Current MDB Role in Transition Minerals

According to the data tracked by International Accountability Project (IAP) in their Energy Finance Tracker¹⁹, between January 2023 and June 2025 MDBs invested in 46 projects linked to transition minerals value chains, for a total investment amount of about US\$ 7.1 billion. The European Investment Bank (EIB) (focused on mineral processing), the Development Finance Corporation (DFC) (focused on extraction), and the Inter-American Development Bank (IDB) and European Bank for Reconstruction and Development (EBRD) (respectively focused on policy reforms and extraction) were the institutions that invested in the largest number of projects (33 in total). Recently, the EBRD, the Asian Infrastructure Investment Bank (AIIB), and the IDB have started to show increasing interest in supporting the transition minerals sector.

The EBRD, as recently as last year, provided²⁰ a US\$ 100 million loan for the completion of the infamous Oyu Tolgoi mine in Mongolia, raising serious concerns among local communities who have been

¹⁸ International Energy Agency (IEA), 'The Role of Critical Minerals in Clean Energy Transitions – Analysis', 5 May 2021, <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions>.

¹⁹ International Accountability Project (IAP), 'Energy Finance Tracker | Tableau Public'.

²⁰ Anton Usov, 'EBRD Provides US\$100 Million towards Completion of Oyu Tolgoi Mine', 2024, <https://www.ebrd.com/home/news-and-events/news/2024/ebrd-provides-us100-million-towards-completion-of-oyu-tolgoi-mine.html>.

protesting mining operations in the area for about 20 years. In June 2025, the EBRD expanded its reach to the wider Central Asia region, focusing on wider capacity-building in the sector with a project²¹ titled Expanding Activities in Critical Raw Materials in Central Asia.

The IDB took a similar approach, supporting projects - in 2022²², 2023²³, 2024²⁴, and 2025²⁵ - that aimed to increase the capacity of countries in the region to develop transition minerals value chains. Civil society members expressed concerns about the lack of transparency surrounding these operations, most, if not all of which consisted of regional technical assistance projects. In December 2024, the IDB even started a collaboration²⁶ with the European Union - as part of the Global Gateway initiative - to promote the extraction and trade of transition minerals in the region.

The AIIB recently disclosed information about a co-investment in a project²⁷ that would finance desalination infrastructure in Chile - which risks having high adverse environmental and social impacts - in order to provide the local mining industry with the enormous amount of water required for industrial mining processes.

Other MDBs support mineral mining in several different, highly influential ways, with the International Finance Corporation (IFC) (the development arm of the World Bank Group that focuses on the private sector) actively financing transition minerals across extraction, processing, and recycling (see the examples from Argentina, Guinea and Indonesia below). The World Bank focuses on governance, infrastructure, licensing, and policy for the mining sector. Until recently, the ADB has mainly focused on providing technical assistance and policy advice to governments on transition minerals industries, but in August 2025, the ADB approved financing for a new major mineral mining project in Pakistan²⁸ - a project that risks worsening the plight of human rights defenders in a region marred by conflict. The Multilateral Investment Guarantee Agency (MIGA) has, to date, provided guarantees for two mineral mining projects in Guinea.

Beyond loans and advice, MDBs also influence the investment protection architecture that governs mining and energy. This includes support for ISDS (investor-state dispute settlement), a broad regime allowing foreign investors to sue states under treaties or contracts. The World Bank Group's International Centre for Settlement of Investment Disputes (ICSID) arbitration centre administers many ISDS cases. While marketed as stability tools, these instruments systematically deter national reforms central to value addition and climate transition (export bans, higher royalties, local content requirements, renewable energy mandates, and fossil fuel phase-outs). ISDSs are viewed as overriding democratic decision-making with corporate-friendly arbitration. This means corporations can sue countries who aim for better regulation of social, environmental and climate outcomes, raising the cost of green industrial policies.

²¹ European Bank for Reconstruction and Development (EBRD), 'Expanding Activities in Critical Raw Materials in Central Asia', <https://www.ebrd.com/home/work-with-us/projects/tcpsd/21762.html>.

²² Inter-American Development Bank, 'IDB | The Energy Transition as an Opportunity for Green Industrial Development in Latin America and the Caribbean', 2022, <https://www.iadb.org/en/project/RG-T4188>.

²³ Inter-American Development Bank, 'IDB | A Future-Ready Region: Critical Minerals for Growth', 2023, <https://www.iadb.org/en/project/RG-T4066>.

²⁴ Inter-American Development Bank, 'IDB | Mining for the Energy Transition (MET): Securing a Sustainable Supply of Critical Minerals for Advancing Regional Development', 2024, <https://www.iadb.org/en/project/RG-T4442>.

²⁵ Inter-American Development Bank 'IDB | Integration of Mining Value Chains for Energy', 17 October 2025, <https://www.iadb.org/en/project/RG-T4792>.

²⁶ Inter-American Development Bank, 'IDB | Global Gateway: New EU-IDB Initiative to Boost Sustainable Critical Raw Materials Practices in Latin America and the Caribbean', 2024, <https://www.iadb.org/en/news/global-gateway-new-eu-idb-initiative-boost-sustainable-critical-raw-materials-practices-latin>.

²⁷ Asian Infrastructure Investment Bank (AIIB), 'Multicountry: Patria Infrastructure Fund V - Co-Investment: Project Aqua', 2025, <https://www.aiib.org/en/projects/details/2025/approved/multicountry-patria-infrastructure-fund-v-co-investment-project-aqua.html>.

²⁸ Chloé Farand, 'Banks Back Pakistan Copper Mine despite Human Rights Fears', *Climate Home News*, 22 August 2025, <https://www.climatechangenews.com/2025/08/22/asian-development-bank-backs-pakistan-copper-mine-despite-human-rights-fears/>.

Despite their growing interest/expansion into the transition minerals sector, MDBs tend to avoid the questions raised by critical voices on what the expansion into transition minerals mining entails. Therefore, despite the concerns repeatedly raised with companies and investors in the transition minerals sector, issues with the proposed approaches remain to date. Consequently, concerns from civil society have been increasing in proportion to MDBs' interest in the sector, and the movement demanding a real just and inclusive transition that does not perpetuate the same extractivist models of the past has been growing in recent years. The adverse impacts of transition minerals mining have not gone unnoticed and have been denounced at various international forums, increasing the pressure on MDBs to listen. Case studies in the next section illustrate this.

MDB Initiatives and reports

WB and IFC's Climate-smart mining framework²⁹ and Climate-smart mining initiative³⁰

A task force by WB and IFC where "the initiative supports the sustainable extraction and processing of minerals and metals to secure supply for clean energy technologies by minimising the social, environmental, and climate footprint".

IFC's Net Zero Roadmap for Copper and Nickel Value Chains³¹

IFC Transition Mineral roadmap mentions that (1) the scope of the roadmap is confined to copper and nickel mining value chains, which are defined as extraction and processing of each metal into an intermediary product, and (2) mining value chain actors are defined as companies with extraction and/or processing activities within the scope of the defined mining value chain. IFC also highlights that copper and nickel demand can only be met through primary activity (mining) and secondary (recycling).

WB's Minerals for Climate Action: The Mineral Intensity of the Clean Energy Transition³²
Strategic document laying out the mineral demand projections and intensity required to manufacture clean energy technologies.

Artisanal mining³³, e.g. WB focus on gold artisanal mining – but also gem stones and other.

ADB and the World Trade Organisation (WTO) launched the critical mineral trade database³⁴

²⁹ World Bank, 'Climate-Smart Mining: Minerals for Climate Action', Text/HTML, World Bank, 2019, <https://www.worldbank.org/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action>.

³⁰ 'Climate-Smart Mining Initiative', Text/HTML, World Bank, accessed 22 October 2025, <https://www.worldbank.org/en/programs/climate-smart-mining>.

³¹ IFC, 'Net Zero Roadmap for Copper & Nickel Mining Value Chains', *CommDev*, 2023, <https://commdev.org/publications/ifc-net-zero-roadmap/>.

³² Arrobas, Daniele La Porta; Drexhage, John Richard; Fabregas Masllovet, Thao Phuong; Hund, Kirsten Lori; Laing, Timothy James, 'Minerals for Climate Action : The Mineral Intensity of the Clean Energy Transition', Text/HTML, World Bank, accessed 22 October 2025, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099052423172525564>.

³³ (WBG) World Bank Group et al., *Artisanal and Small-Scale Mining (ASM)* (2024), <https://thedocs.worldbank.org/en/doc/3350d1c18d832fecc58fdce4743f7f82-0400052024/original/ASM.pdf>.

³⁴ (ADB) Asian Development Bank, 'Trade in Critical Minerals', accessed 22 October 2025, <https://critmin.org/>.

ADB's Building Resilient and Responsible Critical Minerals Supply Chains for the Clean Energy Transition ³⁵ (CM2CET)
IDB and the European Union (EU) have launched a joint initiative ³⁶ to strengthen the enabling conditions for responsible investments to develop critical minerals and their value chains.
The EBRD's mining sector strategy 2024-2028 ³⁷ : supports sustainable solutions for mining (hydrogen integration) aligned with green transition, likely to expand transition minerals framing. Also mentions that "increasing resource nationalism and potential super cycle" is a threat to green transition.
Recommendations from the IDB Working Group ³⁸ .
EIB's Global Gateway ³⁹ investment arm, ties EIB financing to EU geopolitical strategies, often with green energy and transition minerals.
EBRD also disclosed a project ⁴⁰ that aims to push the transition mineral sector in Central Asia.

³⁵ Cyn-Young Park and Anna Cassandra Melendez, *ADB Briefs: Building Resilient and Responsible Critical Minerals Supply Chains for the Clean Energy Transition* (2024).

³⁶ Inter-American Development Bank, 'IDB | Global Gateway'.

³⁷ European Bank for Reconstruction and Development (EBRD), 'Mining Sector Strategy', <https://www.ebrd.com/home/what-we-do/ebrd-sectors/natural-resources/mining-sector-strategy.html>.

³⁸ 'Recommendations from the IDB Working Group', <https://docs.google.com/document/d/19G7mQZj07TAsiV5ERtMrblJTwlPmGjw8gyxY-MLXn8s/edit?usp=sharing&pli=1&authuser=0>.

³⁹ European Investment Bank (EIB), 'GLOBAL GATEWAY FUND (GLGF)', European Investment Bank, 2022, <https://www.eib.org/en/projects/all/20220752>.

⁴⁰ European Bank for Reconstruction and Development (EBRD), 'Expanding Activities in Critical Raw Materials in Central Asia'.

5 Case examples of concern

MDBs can play a pivotal role in guaranteeing that the transition to sustainable energy systems is also just and inclusive, yet too many times they still fail to ensure accountability and transparency in the operations they finance, helping to perpetuate extractivist and exploitative systems. These examples illustrate just some of the ongoing concerns with MDB investments in transition mineral mining operations.

Examples

IFC's support for the nickel industry is devastating Obi Island, Indonesia

Kawasi village became the location of Obi Island nickel industrial park that is surrounded by nickel mines, ore smelters and other industrial zones. The IFC is involved in the Obi Island nickel industrial park⁴¹ through several financial intermediaries that have made loans to the mine and smelter operator and its subsidiaries.

Processing operations at the nickel smelters is completed by the captive coal power plants, with plants estimated to be 2,984MW either in operation or under construction across multiple facilities. Obi Island nickel industrial park has suffered environmental and social impacts, such as damaged marine ecosystems, polluted springs, dirty air for the community, threats to the diversity of birdlife, land disputes, and forced evictions.

The IFC's Green Equity Approach - which was developed in 2019 to help IFC's equity clients to exit support for coal by 2030 - contains a loophole that allows support for captive coal power plants used for industrial applications such as mining, and smelters. Additionally, on Obi Island, the IFC has not successfully ensured that its clients implemented an Environmental and Social Management System (ESMS) that adhered to the Performance Standards to manage risks and has therefore failed to fulfil its commitment to reduce greenhouse gas emissions.

IFC investments in Sal de Vida: A risky lithium mining project in Argentina⁴²

Sal de Vida (SDV) is a lithium mining project located in the Province of Catamarca, Argentina. The plan is for it to extract 600,000 tons of lithium carbonate (LCE) over the next forty years for export to Europe and the United States. The IFC approved a US\$200 million loan to the SDV project. Although the mining company ultimately repaid the loan due to the fall in the international price of lithium carbonate, at the time the loan was approved, the IFC

⁴¹ TrendAsia, 'How IFC's Support for Captive Coal in Nickel Industrial Park Is Destroying Obi Island', *Trend Asia*, 6 October 2023, <https://trendasia.org/en/how-ifcs-support-for-captive-coal-in-nickel-industrial-park-is-destroying-obi-island/>.

⁴² Fundación Ambiente y Recursos Naturales (FARN) et al., *Sal de Vida: A Risky Lithium Mining Project in Argentina* (2023), <https://farn.org.ar/wp-content/uploads/2023/05/Sal-de-Vida-A-risky-lithium-mining-project-in-Argentina.pdf>.

underestimated several potential risks in project appraisal, including the cumulative impacts that could result from the combined effects of the project with other existing or planned ventures. There are eight lithium brine mining projects that have been registered in different mining stages in the area around the SDV project. Together, these projects result in large-scale or mega-mining of water from the surface. The sustained extraction of groundwater brines and surface waters over decades is likely to affect these wetlands' hydrological balance, salinity, and unique biodiversity, as well as local freshwater access.

Local Indigenous communities around the project have been victims of criminalisation as a direct consequence of their actions in defending their rights, territory, access to water, and cultural heritage - but this was not taken into consideration by the IFC. Although there was a consultation process, it was weak and the local community lacked access to all the necessary information. After the local community and CSOs repeatedly raised concerns about the water impacts, the IFC finally demanded that the company should carry out a cumulative impact assessment. Once completed, however, the company refused to make it public, and so the affected community was unable to access the company's findings.

Bauxite for electric vehicles,⁴³ Guinea

Guinea is home to the world's biggest reserves of bauxite - the main source of aluminium used in EVs to keep the car weight lighter. Studies conducted by the government in Guinea suggest that more than 200,000 acres of farmland and 1.1 million acres of natural habitat will be converted to bauxite mining. While mining in the country has created thousands of jobs and millions of dollars in annual tax revenue, there is evidence that the mining operations are damaging local livelihoods and impacting food security (mainly from farming and fishing). Strip mining for bauxite is known to cause widespread loss of arable land, disturbance of wildlife habitats, noise and dust, and pollution of rivers and other local water systems.

The biggest bauxite mine in Guinea is owned by a Chinese company, to supply the huge and growing demand for EVs in China and the US. It has received a debt facility of up to \$200m from the IFC to support the expansion of the Sangaredi bauxite mine, processing plant, and associated infrastructure. Inclusive Development International (IDI) supported local communities around this project to file their complaints to the IFC's Compliance Advisor Ombudsman (CAO) in 2019 and has been accompanying them in mediations with the company since that time. There has been some success in stopping dynamite blasting within a kilometre of inhabited areas, compensation for communities for the damage caused by past blasting activities, and improving access to clean water. Negotiations are ongoing on the other issues raised in the complaint.

⁴³ Recourse and TrendAsia, *Tread Lightly: Why IFIs Should Put People and the Environment at the Centre of the Transition Mineral Supply Chain*. (2023).

6 Recommendations to MDBs

The Big Shift Global Coalition makes the following recommendations. All MDBs investing in and giving policy advice on transition minerals should:

- 1. Explicitly and comprehensively publish how they will implement the principles and recommendations set out in the report for the UN Secretary General's Panel on critical minerals for energy transition**, particularly regarding protecting human rights, environmental integrity, justice and equity, and benefit sharing.
- 2. Recognise the need to minimise mineral demand through the full mineral and technology life cycles.** Technological choices should look to minimise mineral consumption, choose the least impactful mineral sources, and maximise equipment lifespans. Technologies should be manufactured for easy recycling, with investment in environmentally safe recycling facilities. Energy planning must prioritise efficiency and demand management and penalise wasteful energy use and excessive technology expansion. We recommend that the MDBs adopt a coherent approach to minimising mineral demand across all sector policies.
- 3. Put national green industrial strategy, technology transfer and just transition at the centre of investments, rather than investing in export driven expansionism. Unblocking barriers such as debt levels and trade barriers that keep countries focused on exporting raw materials to obtain short-term profits.** Mineral-rich countries should be supported to integrate their mineral sectors into a national green industrial strategy, including a just transition plan that is fair and inclusive to everyone concerned, creating decent work opportunities and leaving no one behind. Countries should be supported financially and through technology transfer to develop their own refining and processing industries and renewable technology capabilities, in a way that protects and enhances workers' rights and environmental and social protections. In this way countries can capture the most value from the mineral value-chain as possible and maintain control of resources locally. This approach would require most of the support for transition minerals to be delivered through the public arm of the MDBs, and not private sector or export guarantees, to remove the debt-traps which prevent minerals from contributing to producer countries' sustainable development.
- 4. In consultation with civil society and Indigenous Peoples, the MDBs should commit to enhanced due diligence in mining practices, including requiring Free, Prior, and Informed Consent (FPIC) of Indigenous Peoples.** We call on the MDBs to ensure they enforce enhanced due diligence practices for all direct investments and those through financial intermediaries, which are applicable along the full mineral supply chain. This should include enhanced environmental and social due diligence, and best practice accountability for human rights, including requiring Free, Prior, and Informed Consent (FPIC) of Indigenous Peoples, with its in-principle application for other communities.
- 5. Ensure the MDB's own accountability, safeguarding and remedy systems are robustly applied to all mining of transition minerals, including through financial intermediaries, and throughout the project lifecycle.** Given the extractive and damaging nature of mineral mining, it will be essential to always categorise transition mineral projects (mining, processing and technical assistance) as category A high risk projects. The forthcoming IFC Performance Standards Review presents an opportunity to re-enforce the commitment of the IFC to meet best practice, including in transition

mineral operations. Performance standards on community consultation; land and resettlement; forests and biodiversity; and protecting the rights of Indigenous Peoples will be critical to ensuring the protection of people and planet in mineral mining and processing projects. Experience of mining operations has shown that other performance standards, such as on water and air pollution, and health impacts will also require particular attention at all mining operations, including after MDBs exit the projects.

6. **MDBs must not support projects in locations of conflict and corruption** where human rights, community engagement and social and environmental protection cannot be upheld.
7. **Support reform of international investment and trade frameworks to add value to minerals extracted from country's territories, promote technology transfer, and ending support for investor-state dispute settlements (ISDS).** Resource-rich countries should have the ability to manage their mineral exports in alignment with their national development strategies. MDBs should end support for investor-state dispute settlements (ISDS), remove ISDS-related clauses from existing agreements, and find mutually beneficial agreements that do not threaten the sovereignty of countries and their ability to strengthen domestic legal systems and human rights and environmental policies, while ensuring disputes can be resolved in a transparent and stable manner.
8. **Supporting artisanal mining practices to protect livelihoods, improve safety and allow access to markets.** Traditional artisanal mining is part of indigenous livelihoods but the new rush for minerals is putting pressure on these livelihoods by connecting to the same supply chains that benefit large companies and elites, and in some cases incoming large companies can threaten to remove these livelihoods completely. Ensuring such practices are protected in a way to reclaim indigenous communities' right to territories is important. Such mining practice should be supported to enhance safeguarding, health and safety, while increasing access to markets.
9. **Support a moratorium on deep seabed mining,** due to the extreme economic, social and environmental risks associated with seabed mining.
10. **Ensure effective monitoring on transition minerals value chains,** to make sure processed minerals are used in industries that promote technological developments with positive externalities, instead of being supplied to producers of weapons and technologies of mass surveillance⁴⁴ that would further erode human rights and international security.

⁴⁴ 'Martial Mining (2020)'.

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