

The changing politics of coal extraction in Colombia

If global warming is to be limited to 2°C above pre-industrial levels, research suggests a third of the world’s oil reserves, half of its gas reserves and more than 80% of its coal reserves should remain unused from 2010 to 2050.¹

Achieving that objective requires grappling with key equity questions about who gets to extract the remaining fossil fuels, and for whose benefit. It also requires understanding the political economy of a transition away from fossil fuels extraction: who wins, who loses, and what factors can enable or hinder such a transition.

In Colombia, coal has been a pillar of the national economic development strategy, together with the rest of the mining and energy sectors. That was the case under President Álvaro Uribe Vélez (2002–2010), and has continued since then under President Juan Manuel Santos Calderón. Coal production increased from 38 million tonnes (Mt) in 2000 to almost 89 Mt in 2015. In 2015, the coal sector represented about 1.3% of Colombia’s gross domestic product (GDP) and 12% of exports.²

However, the future prospects for Colombia’s coal sector are uncertain. About 83% of Colombian coal is sold on international markets. A combination of reduced global demand and oversupply has reduced prices, and a recent study predicted that large shares of Colombia’s traditional export markets would vanish in the next few years as a result of climate policy, while increasing competition would keep coal prices low.³

This discussion brief examines the political economy of large-scale coal production in Colombia and its implications for a transition away from coal. There is growing criticism and opposition to large-scale coal mining in Colombia for environmental and socio-economic reasons, but there are also strong entrenched interests that support it. We explore how the political strategies of the major coal mining companies and their backers in the national government have evolved to address new challenges and, in that context, we consider the options for groups seeking change.

An industry facing multiple challenges

Globally, coal demand has declined as major coal-importing countries have adopted climate, air quality and industrial efficiency policies, and it is likely to decline more as countries implement the Paris Agreement and switch to cleaner alternative energy sources. As demand and prices have fallen, Colombia has slowed coal production. In February 2015, for example, the national government announced a goal of 97.8 Mt for the year, but ultimately only 88.6 Mt was produced.

Coal producers in Colombia also face considerable challenges domestically. For many years, the mining companies and the national and local elites that support their interests have maintained their strength through an institutional framework that allowed them to keep most of the revenue from minerals extraction.⁴ However, the high concentration of profits,



The Pribenow mine in Cesar department, developed by Drummond.

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combined with negative social and environmental impacts of extractive industries, has led to conflict and resistance in Colombia and across Latin America.⁵

Since 2013, there has been a lively debate in Colombia about the governance of the extractive sector and how it relates to the real costs and benefits of mining. As a result, the sector, including coal extraction, has lost some support from the general public and, increasingly, from local governments.

The coal sector and large-scale mining play an outsized role in the Colombian economy, but the economic benefits of those activities are increasingly questioned by academics, activists and residents of areas with ongoing or potential production. One key concern is that the extraordinary rents gained from resource extraction during the commodity boom have been poorly managed and have not translated into broader socio-economic development benefits.

For example, an analysis looking at the past two decades found that while extractives brought in large amounts of foreign currency, facilitating imports of key industrial goods, they also impeded the development and effective use of domestic industrial and human skills. As a result, Colombia had limited opportunities to build the technological expertise required to compete globally.⁶

Other studies have shown that large-scale mining in Colombia has improved overall well-being, notably through mining companies’ corporate social responsibility programmes.⁷ However, on average, municipalities that received large amounts of royalties from extractive activities did not rate better on social indicators (such as education, health and public infrastructure) than those that had not received royalties, despite the significant difference in resources.⁸ The royalty distribution system was reformed in 2012 to try to boost the social benefits of royalties, but it is unclear that the reforms have actually led to improved well-being.



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In August 2012, a day of mobilization was organized in Cajamarca, in the Tolima Department, to protest against the large-scale gold mining project La Colosa.

Another key concern is the mining sector's contribution to public finances, as the companies receive a wide range of government support. In 2015, for instance, the mining sector received 23.4% of the total value of tax discounts provided to legal entities in Colombia, which reduced companies' income taxes by 11%.⁹ Between 2005 and 2010, tax breaks actually exceeded the amount of income taxes paid by mining companies. Even after the elimination of an expensive fiscal incentive in 2011, the effective tax rate for the coal sector was still, on average, only 66% of the nominal rate.¹⁰

At the same time, coal and large-scale mining in general face significant criticism for the social and environmental impacts of their activities. These include air, water and soil pollution, all of which affect people's health; damage to local roads from heavy equipment; and human insecurity, notably due to the resettlement – voluntary or forced – of local populations that occupy land wanted for mining.¹¹

Demographic change and resettlement have also contributed to communities feeling disconnected from landscapes that are essential to their identity, a particular concern for indigenous groups. The landscapes have been modified or people do not have access to them in the same ways anymore.¹² Concerns about equal development opportunities, access to resources (including land and water) and human rights have also been raised in relation to indigenous and afro-Colombian communities.¹³

There are also uncertainties about the implications for the extractive sector of the peace agreement between the national government and the Revolutionary Armed Forces of Colombia (FARC). One key concern is about the overlap of land areas destined to be returned to victims of the conflict and existing or requested mining titles. A second concern is that other groups that are not part of the agreement – such

as paramilitaries and the second-largest Colombia guerrilla group, the National Liberation Army – might fight to control areas now freed from the FARC's control.

In this context of economic and political uncertainty, relations between promoters and opponents of large-scale coal extraction in Colombia are changing considerably. In 2014, the country joined the Extractive Industries Transparency Initiative,¹⁴ which promotes public awareness of how countries manage their oil, gas and mineral resources. And last year, the Ministry of Mines and Energy issued a new policy, *Bases para la Minería del Futuro* (Foundations for Future Mining),¹⁵ that responds to some of the domestic pressures that the mining sector faces.

The analysis that follows applies a critical political economy lens to coal mining in Colombia, drawing on 22 interviews with key actors in the sector. Critical political economy examines the way in which economic policy choices are determined by political forces, drawing particular attention to the conflicts inherent to this process, where dominant – or incumbent – actors use power to protect their interests against subordinate groups that seek change. We explore how incumbent actors are responding to growing opposition, and discuss the implications of their new strategies for groups seeking change.

Strategies of actors opposed to large-scale mining in Colombia

The Environmental Justice Atlas, which documents and catalogues social conflict around environmental issues, reports 56 conflicts related to the mining sector in Colombia – five coal-related.¹⁶ The mining industry faces growing opposition from farmers' associations, miners' unions, indigenous communities and non-governmental organizations.

Some policy-makers are also challenging the status quo by seeking more transparent and effective governance of mining activities and better distribution of the rents it generates. There is also increasing resistance from municipal authorities in areas with potential for extraction.

Traditionally, private actors seeking to limit extractive activities or to influence in its governance – such as miners' unions, indigenous communities and non-governmental organizations – relied mainly on opposition strategies such as strikes, blockades and marches.¹⁷ In addition to these strategies, indigenous communities have also relied on *acciones de tutela* (see Box 1) – a judicial mechanism established in the 1991 Constitution to help protect citizens from any violation of their fundamental rights – to demand prior consultations on mining decisions that could affect them.

In recent years, municipal authorities in areas with extractive potential have engaged in a new form of institutional opposition when they disagree with national government plans for extractive activities within their municipalities. Through public consultations (see Box 1) and municipal and community initiatives and decisions, they have defied national authorities. This is part of a broader trend in Latin America, in which social movements and anti-mining networks have allied with local governments. Local governments have played a crucial role in organizing and formally supporting consultations.¹⁸

The growing use of institutional channels to challenge mining interests¹⁹ has been made possible by local actors' improved knowledge of the institutions and increased civic participation. National organizations and transnational networks have helped enable this process by disseminating insights from past experiences through media and the internet, and by providing technical and logistical support for consultations or legal proceedings such as *tutelas*.²⁰

Along with indigenous communities and municipal governments, some individuals and civil society groups now are using the legal system as well, challenging the constitutionality of government policies, regulations and decisions that favour the interests of extractive companies. For example, the constitutionality of the 2010 reform of the Mining Code was successfully challenged. The Constitutional Court overturned it in 2011 because indigenous communities had not been consulted in the formulation of the reform.

Growing local opposition and the increasing involvement of courts in conflicts around extractive activities have had significant consequences for the extractive sector. They have opened the door for the Constitutional Court to increase its role in mining governance through rulings that overturned legislation as well as executive branch policies and decisions – and sometimes even established new rules.

Between 2010 and 2016, the Constitutional Court issued more than 50 rulings related to mining activities, some implying significant changes in mining governance.²⁴ Two of the latest examples are the increased participation of local authorities in decisions about mining development (see Box 2), and the prohibition of mining activities in páramos (a type of alpine tundra ecosystem characteristic of Andean mountains, recognized as a biodiversity hotspot and essential freshwater source), affecting more than 340 mining titles.²⁵

Many of the decisions taken by the Constitutional Court on mining issues have been seen as detrimental to mining interests. As a result, mining companies have accused the Court of “judicial activism” – that is, of deciding cases on the basis of personal or political considerations rather than on existing law.

Although in Colombia some of the institutional strategies described in this section have been used primarily in cases linked to gold extraction, they have had consequences for the whole mining sector, including coal extraction. As the judiciary has become increasingly involved in shaping the governance of the mining sector, it has destabilized the position of incumbent actors, who have had to adjust their strategies to the new domestic and international context.

Pushing back against opposition to mining

The national government, the coal mining companies and other incumbent actors have responded to growing opposition with four main strategies: a) both the industry and public officials have changed how they describe the benefits of the extractive sector for the country; b) coal and other mining companies are investing in better communications and public relations; c) coal mining companies have made new alliances through their membership in national and international business associations; and d) the national government and mining companies are fighting back in the courts.

Box 1: Community opposition to mining projects through the *acción de tutela* and *consulta previa*

In the context of growing socio-environmental conflicts linked to mining in Latin America, social movements have increasingly used community consultations as a strategic tool to ensure participation of affected populations and indigenous peoples in decisions that will significantly affect their livelihoods and future.²¹

In Colombia, the government has been required since 1991 to consult with ethnic communities when legal or administrative decisions could affect them directly; the mechanism used is called *consulta previa* (prior consultation). Between 1993 and 2012, however, only six out of 156 consultations involved mining activities, indicating that for a large number of mining projects, exploratory activities started without community consultation.²²

Some communities have asserted their rights through the *acción de tutela*, another mechanism established under the Colombian Constitution that aims to protect individual fundamental and constitutional rights when these are violated or threatened by an action or omission by any type of public authority. Citizens can file an *acción de tutela* to seek protection of their rights.

In some cases, such as Mandé Norte in the Choco department, using the *acción de tutela* resulted in a *consulta previa*. This strategy has not always worked, however. For example, in 2012, an action by the municipality of Roche in La Guajira – which sought to be consulted on the deviation of the Ranchería River by the Cerrejón coal company – was struck down on the grounds that Roche was not officially recognized as an ethnic community.²³

Non-ethnic communities also have sought to influence the development of mining activities through popular consultations. The first municipalities that tried to prohibit mining activities on their territories were Támesis, Jardín, Urao and Cañasgordas in 2012. This generated a four-year-long judicial battle between the national government and municipal authorities, as illustrated in Box 2.

Extraction for development and peace

Between the late 1990s and 2014, coal mining proponents were fairly consistent in how they described the benefits of their activities. They strongly emphasized the role of hydrocarbons and mining, including coal, in the socio-economic development of the country and of the producing regions in particular. In his first term in office (2010–2014), President Santos described the extractive sector as one of Colombia's five “development engines”.

President Santos' narrative addressed concerns about the “resource curse” – the notion that relying on an abundance of natural resources does not support broad-based development and can actually stifle it – by blaming problems in producing regions on poor management of royalties by regional and local authorities. The idea was that natural resource extraction



Cerrejón is one of the pioneers in the mining sector when it comes to building its public image. As part of its communication strategy, the company offers guided tours of the mine.

can fuel development, as long as there are institutions capable of effectively administering the rents that it generates.²⁶

In 2014, as criticism of the extractive industry evolved, public opposition grew, and international commodities prices declined, the national government abandoned the metaphor of the development engine. Instead, a new narrative emphasizes the role of the hydrocarbon and mining sectors in financing peace-building across the country.²⁷ Another component of the narrative, used by both mining companies and the national government, is that negative social and environmental impacts result first and foremost from *illegal* mining.²⁸

Although much of the discussion of illegal mining has focused on other minerals, especially gold and coltan ore (from which tantalum, an important component in electronic devices, is extracted), the coal industry also follows the illegal-mining narrative, hoping to redirect criticism towards other types of mining. For example, in September 2016, the coal company Drummond publicly supported a high-profile meeting between officials from the mining, energy and environmental sectors and mayors from the Cesar Department. The aim of the meeting was to provide information on illegal mining in that department, where Drummond also operates.

It is worth noting that the mining sector in general benefits from being associated with the oil and gas sector in policy debates, which results in misperceptions about its actual contribution to royalties and economic growth. In reality, only a quarter of the total oil, gas and mining royalties, taxes and other financial contributions collected in 2015 came from mining.²⁹ Moreover, while dividends from oil and gas production accrue to the state through the national oil company Ecopetrol, dividends from mining accrue to the companies' shareholders.

Communications and public relations

For decades, mining companies in Colombia kept a low profile, aiming to reduce the financial and operational risks associated with low levels of social acceptance.³⁰ This strategy – which implies limited communication with the community and media – has its roots in the enclave economy, an economic model that has prevailed since the development of banana plantations on Colombia's Caribbean coast, where most coal is extracted today.

The enclave economy is characterized by little economic diversification, high intensity of foreign capital, production destined to foreign markets, and a lack of links to the rest of the economy. From a political perspective, it is characterized by coercive institutions – that is, institutions that rely on the use of force or the threat thereof – to maintain socio-economic inequality.³¹

Conflict around steam coal mining goes back to the 1980s, when inhabitants of La Guajira department expressed their discontent with the lack of employment opportunities at the Cerrejón mine and its disconnection from local supply chains. These conflicts remained through the 1990s until the 2000s, when Carbocol, which operated the Cerrejón mine in joint venture with the company Intercor, was privatized.

After that, the new owner of the mine, Cerrejón, took measures to increase interactions with the local population, notably through corporate social responsibility and investment programmes.³² This case remained an exception for years, however; it is only recently that most other mining companies have started to do similar things. Several coal companies now are making significant corporate social responsibility investments.

Drummond, for example, increased social investments (in education and culture, sports and recreational activities, public health, infant nutrition, infrastructure, etc.) from 2.6 billion pesos in 2010 to 3.3 billion pesos in 2015, despite the sector's economic downturn in 2013.³³ The company has also worked to publicize its activities and develop relationships with local media. For example, it provided a professional development grant for journalists in Cesar Department in association with the *Círculo de Periodistas de Valledupar* (the Valledupar Circle of Journalists).³⁴

In their communications with local residents and the general public, coal companies emphasize sustainability, with slogans such as “*Minería responsable, aliada del desarrollo en Colombia*” (“Responsible Mining, an ally of development in Colombia”).³⁵ A central argument is that the industry provides good jobs (i.e. long-term contracts with relatively high salary and social benefits). Coal and other mining companies also stress that they respect national legislation and comply with international standards, such as the Global Reporting Initiative.

Similarly, all three of the top coal extracting companies in Colombia – Cerrejón, Drummond and Prodeco – have participated in the Extractive Industries Transparency Initiative (EITI), which has set a global standard for good governance of oil, gas and mineral resources, since Colombia joined in 2014. For extracting companies, joining a national EITI assessment can contribute to building social acceptance of the sector and redirecting public attention away from contentious debates about extractive projects or the fairness of rents distribution.³⁶

Despite recent improvements in the sectors' public relations strategy, the topic of social acceptance and external communication remained central at the National Mining Congress in 2016, where the President of the Colombian Mining Association highlighted the need for all companies in the mining sector to have a shared strategy to improve the sector's image.³⁷

Building new national and international alliances

In the past, coal companies have successfully used lobbying and political alliances to ensure that the institutional framework is favourable to their interests. One example is how in 2012, the president of *Asomineros* (a Colombian mining trade group) managed to persuade the National Tax and Customs Directorate to make mining royalties deductible from companies' income taxes.

However, to address new domestic and international challenges, coal companies have also felt the need to strengthen their position by joining a single business association in 2014 that represents nearly the whole mining sector, the *Asociación Colombiana de Minería* (Colombian Mining Association, or CMA).³⁸ The group brought together the three main mining business associations in Colombia: the *Cámara Colombiana de Minería* (Colombian Chamber of Mining), *Asomineros* (a branch of the National Association of Industrial Producers, ANDI) and the *Asociación del Sector de Minería a Gran Escala* (Association of the Large-Scale Mining Sector). In 2016, coal companies also sought to strengthen their bargaining position by joining the World Coal Association through the CMA.

Fighting back the courts

Mining governance in Colombia has, *de facto*, favoured the mining companies for decades, because rules and regulations were ineffectively implemented and compliance was poorly monitored, especially in terms of environmental requirements.³⁹

Part of the reason for this is that environmental agencies lacked economic and technical resources. Between 2010 and 2014, environmental protection agencies operated with the equivalent of 0.5% of the GDP, while the average for the Organisation for Economic Co-operation and Development (OECD) is 1.5–2%.⁴⁰ The leadership of the environmental institutions also has been extremely inconsistent: between August 2010 and April 2016, there were five different environment ministers.

In this context, as discussed above, opponents of mining have looked to the courts to even the playing field, and the courts, including the Constitutional Court, have increasingly stepped in and overturned laws and policies. In response, the national government has tried to reduce the impact of the court rulings by issuing new executive orders.

A clear example is the battle over Article 37 of the Mining Code (see Box 2). In order to limit the reach of a decision by the Constitutional Court on municipalities' right to participate in decisions relative to mining activities on their territory, the national government issued an executive order establishing a procedure for municipalities to participate in the process.

Box 2: The judicial battle about Article 37 of the Mining Code

In 2001, a new Mining Code came into force that barred municipalities from blocking mining activities on their territory. After several municipalities sought to prohibit mining in 2012 (see Box 1), this provision was challenged by two municipalities in 2013, Piedras (Tolima) and Tauramena (Casanare), both of which organized popular consultations about planned large-scale mining projects.

To counter this move, the national government issued an executive order reasserting the ban in the Mining Code. However, the order was challenged in the Constitutional Court, which decided in 2014 that although the national government has the competence to grant mining titles, it must work with subnational governments to safeguard water resources, the environment and the well-being of the population.

In response, the national government issued another executive order to regulate the scope of participation of municipalities in mining-related decisions and the procedures to be followed. However, that order was suspended by the State Council six months later because the procedure did not provide for the effective participation of local authorities in the decision-making process.

In May 2016, the Constitutional Court struck down the ban on municipalities blocking mining activities on their territory, declaring it to be unconstitutional.

However, the new regulations were formulated in such a way that they did not provide the municipalities with a real opportunity to influence these decisions, thus generating a new round of legal opposition.

This example shows how ambiguities and inconsistencies in the mining regulatory framework, which have benefitted mining companies in the past, are now generating uncertainties. Legal gaps and inconsistencies are also enabling changes to the mining governance framework that go against the interests of mining proponents.

In response, mining companies have publicly called for more stability in the governance of the sector. A campaign accusing the Constitutional Court of judicial activism has also emerged.⁴¹ The extractive sector argues that the court's rulings have created such levels of legal uncertainty that foreign direct investment has drastically decreased.⁴² Some commentators say this could be interpreted as a strategic move to influence the upcoming selection of four new judges (out of nine) for the Constitutional Court, aiming to reverse the current trend towards prioritizing the environment, indigenous rights and municipal autonomy.⁴³

Politics of coal transitions

Against a backdrop of increasing uncertainties and low prices in the global coal market, as well as rapidly evolving strategies from growing domestic opposition, the principal proponents of coal and other mineral extraction in Colombia have been forced to rethink their traditional strategies to retain their privileged position. They have combined new discourses about their role in Colombia's development with increased communi-



The Cerrejón mine, one of the biggest open-pit coal mines in the world. Coal production in Colombia more than doubled since 2000.

cation to foster social acceptance, while seeking to strengthen their influence on mining governance through new national and international business alliances. These adjustments remain largely cosmetic, however, and have not been successful in countering legal challenges by private and public opponents.

A key insight from the current political dynamics of coal mining (and mining in general) is that the sector's weak governance, which was an advantage in past decades, has become a liability. Mining companies are now asking for more clarity in the rules of the game, while at the same time trying to influence these rules through lobbying and attacks against the Constitutional Court.

In order to maintain their position, the main incumbent actors are reinforcing their relationships by joining forces in a single business association and speaking in unison about their contributions to Colombians' well-being. This further underpins the packaging of mining with oil and gas activities under the "extractive" or "mining-energy sector" banner already present in policy documents and high officials' public declarations, which has played in favour of the coal industry.

From the perspective of a transition away from coal extraction (for climate change mitigation or other reasons), three important lessons can be drawn.

First, transitioning away from coal extraction would likely be facilitated by explicitly separating, in the public eye, the mining sector from the oil and gas sector, and differentiating among types of mining. For example, when considering climate mitigation policies, coal extraction does not have the same future prospects as coltan or nickel, which are used in renewable energy technologies. It is crucial to critically distinguish the contributions of different types of extractive industry; emphasizing differences can help weaken the incumbent coalition.

Second, although public attention has been drawn towards illegal mining, there are serious uncertainties and risks associated with the implementation of the peace agreement with FARC in areas with licensed extractive activities. It is thus essential to critically and empirically study and monitor the impacts and contributions of the extractive sector on peacebuilding.

And third, while litigation has been an effective tool for opponents to challenge the status quo by exposing gaps in the sector's governance, it has also led to the issuance of new regulations and policies. In this sense, challenging actors not only need to further improve their capacity to use existing institutions that challenge the status quo, such as the *tutela*, the *consulta previa* or other forms of legal actions. They also need to get better at leveraging opportunities to directly influence policy-making – for example, by supporting legislative candidates who are likelier to go against mining interests.

When interacting with the general public, incumbent actors have argued that they are being maligned unfairly, as they comply with the law, meet environmental and social requirements, and pay taxes and royalties. This is because the opposition is not only objecting to the social and environmental impacts of mining, but also disputing the value of the entire industry and the socio-economic model that underpins it – which the industry sees as an unwarranted attack on its legitimacy.



Blocking the railway has been a way to protest against coal extraction in the Cesar and Guajira departments.

A successful transition away from coal mining will require going even further, however. Mining opponents need to explore alternative development pathways that not only fill any gaps that would be left by curtailing coal mining, but also lead to substantially better outcomes in terms of social justice and equality.

If the world is serious about climate change, global coal extraction will have to be drastically reduced within the next decade, with unavoidable impacts on producing countries, including Colombia. The question is: Are these regions prepared? What comes next, and how can Colombia ensure that its citizens will be better off as a result?

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Published by:

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