Greenwashing – It's not easy pretending to be green

written by Melissa (Mel) Sanderson | August 22, 2022

Today's mining industry is not the mining industry of your grandfather – but you wouldn't know it judging by popular (mis)conceptions and perceptions. The vast majority of companies have invested extensively in technologies allowing cleaner and more profitable operations, and in programs promoting durable economic development in communities near mine sites.

So, if this is the case, why are there so often accusations of "greenwashing" and what the heck is greenwashing anyway?

Simply stated, greenwashing is when a company which isn't doing very much to transform its operations to a more sustainable and equitable footing wants to pretend otherwise. Greenwashing often is characterized by vague and sweeping statements of intent rather than concrete and specific examples of programs and practices. It is an attempt to convince investors and the public that a company is doing more than it is in the domain of "green."

Now, there are a couple of important caveats. First, the degree of specificity for a company depends on its stage of development. A junior exploration company, for instance, clearly has far fewer specifics to cite and therefore statements of intent, coupled with the specific examples possible (often involving reduced drill waste and improved post-drilling restoration, for example) are perfectly acceptable. Not so, however, for mature production companies. Second (and applicable throughout the industry) there is an understandable confusion about what is regarded as acceptable investments and program performance to merit the designation of "sustainable green production."

Some international and regional organizations such as the United Nations and the European Union are diligently working on sustainable mining standards, as do some individual countries. In the US, for instance, the Securities and Exchange Commission is actively working on developing standards which reportedly may resemble those of the EU while incorporating some of the principles of the UN Sustainable Development Goals. Within the UN SDGS, item #12, Responsible Consumption and Production, is of particular relevance to the extractive industries.

Fundamentally, the concept of responsible stewardship is at the heart of sustainable mining, and applies equally to all three elements of ESG – Environmental, Social and Governance.

One possible format for concretely reporting on activities related to being or becoming sustainable has five areas, including:

1. Reduce, Reuse and Rethink mining waste (tailings and beyond);
2. Water (same three R's as above and incredibly key);
3. Lower CO2 emissions by transitioning to renewable energy supporting operations. Some companies also are exploring carbon credits by, among other options, maintaining more forested areas within concessions;
4. Ensure communities thrive both during and after the life of the mine. This involves extensive consultations and cooperation with expert implementing bodies; and,
5. Restore the land to its natural state at the conclusion of the mine cycle. One useful source working on global standards is the International Organization for Standardization (ISO) in Geneva.

In addition to working on developing standards for producers, governments such as the UK have produced guides for investors to try and determine whether a company is green or is simply greenwashing. The US Securities and Exchange Commission (SEC) proposed similar investor guidelines in June of this year, but so far these apply only to advisors and funds, not extractive companies.

However, the probable intention of the SEC, that such funds and investors in turn will pressure mining companies to be more specific and transparent in their ESG disclosures, apparently is paying off, potentially allowing their goal to be achieved without the need to produce prescriptive and controversial guidelines. Rumors continue to abound, however, that such specific guidance may yet be forthcoming.

The bottom line? To be green in practice likely also is to be green in profit, as investors increasingly will choose true green over greenwashed.