Conflict Factsheet

Oyu Tolgoi Mining Conflict in Mongolia

<table>
<thead>
<tr>
<th>Type of conflict</th>
<th>Intensity</th>
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<tbody>
<tr>
<td>Main</td>
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<table>
<thead>
<tr>
<th>Conflict Locality</th>
<th>Time</th>
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<tbody>
<tr>
<td>Eastern Asia</td>
<td>2013–2015</td>
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<table>
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<tr>
<th>Countries</th>
<th>Resources</th>
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<tr>
<td>Mongolia</td>
<td>Agricultural / Pastoral Land, Water</td>
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Conflict Summary

The Gobi region has limited surface water resources and low annual rainfall. Oyu Tolgoi is one of the world’s largest undeveloped copper-gold deposits located in the South Gobi region, Mongolia, and the project is managed by Oyu Tolgoi LLC, which is majority-owned by Rio Tinto, a multinational mining corporation. In 2013, a group of local herders filed a complaint against Oyu Tolgoi LLC to the Compliance Advisor Ombudsman (CAO), which was concerned about a river diversion that could lead to several water systems drying up, deteriorated pastureland yields, and a threat to traditional livelihoods. The CAO found it eligible for further assessment of the complaint in 2013. After a series of CAO facilitated meetings between the herders and the company from 2013 to 2015 they were able to agree upon and implement specific actions to assess issues related to the complaint. Furthermore, the CAO mediation process resulted in a tripartite committee consisting of representatives of local government, elected herders (the complainants) and the company in 2015.
Conceptual Model

Climate Change

Environmental Change

Intermediary Mechanisms

Fragility and Conflict Risks

Social and Economic Drivers

Economic Development

Pollution / Environmental Degradation

Increased Water Scarcity

Livelihood Insecurity

Grievances between Societal Groups

Increased Land Scarcity

Anti-State Grievances

Context Factors

Agricultural / Pastoral Land, Water

Water-stressed Area
Conflict History

Oyu Tolgoi is one of the world’s largest undeveloped copper-gold deposits, located 80 kilometres north of the Chinese border in Khanbogd soum, South Gobi province, Mongolia. After several years of negotiation, Ivanhoe Mines, a Canadian mineral exploration and development company, and Rio Tinto, a British-Australian multinational mining and metals corporation, signed a 30-year investment agreement with the Mongolian Government to develop the Oyu Tolgoi project in 2009.

Context of the project

The project is funded by a group of international lenders, including International Financial Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), the private sector lending and insurance arms of the World Bank Group. The mine is located in the area surrounded by nomadic herders whose livelihoods are heavily dependent on pastureland and water. The Gobi region has limited surface water resources, low annual rainfall and is also prone to drought, wind and dust storms.

Social and environmental impacts of the project

Due to its large-scale land requirements and construction phase developments, the Oyu Tolgoi project was required to manage a range of social and environmental impacts: resettlement (10 households) and economic displacement of herder households (approximately 90), division of pastures, river diversion, impeded access to wells, and overall reduction of pastureland in the region (IFC, 2014). When the construction of the mine intensified, the issue of water access and security became the centre of the dispute between the mine, local communities and NGOs. Local herders were mobilized to raise their concern over the water and other impacts of the project.

The response of NGOs: Gobi Soil and Oyu Tolgoi Watch

In February 2013, Gobi Soil, a Khanbogd-based NGO representing a group of local herders, assisted by Oyu Tolgoi Watch NGO, filed a complaint against Oyu Tolgoi LLC to the Compliance Advisor Ombudsman (CAO), a mechanism for communities to voice concerns if they believe they are adversely affected by IFC and MIGA supported projects. Their complaint was about the Undai River, a seasonal river that runs through the lease, that was diverted to avoid its flooding into the mine’s open-pit. They were concerned that the Undai river diversion would cause several water systems to dry up, deteriorated pastureland yields, and negative impacts on traditional livelihoods (CAO, 2013).

Resolution Efforts

Oyu Tolgoi LLC’s approach

Oyu Tolgoi LLC prepared an integrated Environmental and Social Impact assessment (ESIA) that drew together all previous studies plus any additional work needed to fill gaps with the IFC Performance Standards and disclosed it in both English and Mongolian in August 2012. The company invited feedback on the ESIA from all stakeholders, including members of the public (BIC, 2012).

The CAO mediation process
The CAO found the Khanbogd-based NGO’s complaint in 2013 eligible for further assessment, and it conducted an assessment during which the parties agreed to work within CAO’s Dispute Resolution function in an attempt to resolve the concerns raised in the complaint using collaborative methods (CAO, 2013). The complainants stated that local community consent and approval was required for the Undai River diversion, whereas OT contended they had all the legal permissions and rights to proceed with construction to divert the river inside the mine license area. The complainants’ formal position was that all construction work related to the diversion of the river should be stopped until community consent could be obtained, while OT insisted the work must continue in order to protect the river for the community and prevent water from ending up in the mine (CAO, 2013).

A series of meetings between the complainants and the responsible company personnel were facilitated by CAO appointed mediators in Khanbogd since 2013. The whole negotiation process required significant commitment, time and resources from both parties. The CAO mediators played an important role to maintain the collaborative process effectively. As a result, the parties were able to agree upon specific actions such as re-construction of a spring that was dried up due to the river diversion based on community consultation, water monitoring methods, and providing water in tanks to herders affected by the river diversion (CAO, 2015).

The emergence of a local mechanism
The two-partite CAO mediation process eventually attracted the attention of local authorities. A Tripartite Committee that involves representatives of local government, elected herders (the complainants) and the company was established in 2015. The Memorandum of Understanding on the establishment of the committee and the bylaw of it were collaboratively written by the parties to ensure that the initial complaints are adequately addressed and the parties maintain a broad dialogue in the future (CAO, 2015).
Intensities & Influences

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<tr>
<td><strong>INTENSITIES</strong></td>
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<td><strong>INFLUENCES</strong></td>
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<td>Environmental Influences</td>
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<td>Societal Influences</td>
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Resolution Success

Reduction in geographical scope
There has been no reduction in geographical scope.

Increased capacity to address grievance in the future
The capacity to address grievances in the future has increased.

Grievance Resolution
Grievances have been completely taken into account.

Causal Attribution of Decrease in Conflict Intensity
Conflict resolution strategies have been clearly responsible for the decrease in conflict intensity.
Entry Points for Resilience and Peace Building

Mediation & arbitration
A group of local herders, assisted by the NGO Oyu Tolgoi Watch, filed a complaint against Oyu Tolgoi LLC to the Compliance Advisor Ombudsman (CAO). The CAO mediation process resulted in a tripartite committee consisting of representatives of local government, elected herders, and the company in 2015.

Resources and Materials

References with URL
- CAO (2013). CAO cases - Mongolia
- CAO (2015). CAO cases - Mongolia
- IFC (2014). Oyu Tolgoi LLC – Environmental and social review summary
- Turquoise Hill Resources (2009). Investment agreement between Government of Mongolia and Ivanhoe mines Mongolia
- BIC (2012). Oyu Tolgoi ESIA published after long wait

Further information
https://factbook.ecc-platform.org/conflicts/oyu-tolgoi-mine-mongolia