

# INTRODUCING LECTURES

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## **GEOETHICAL PRINCIPLES FOR BALANCING THE INTERESTS OF GOVERNMENT, LOCAL COMMUNITIES AND ABIOTIC NATURE IN LEGISLATIVE DECISIONS (CASE STUDY)**

**ABSTRACT:** *Over the past quinquennial, strong local opposition has delayed or stopped exploration and mining projects on several continents. Perceived and actual environmental impacts created by mining operation, unfair distribution of benefits from mining, the silence on final beneficiaries are the most frequent causes for the local population to oppose mining projects. Such kind of social conflicts have been scrutinized closely. Necessary arrangements to prevent escalation have been suggested. Arrangements should be made before licensing.*

Over the past quinquennial, strong local opposition has delayed or stopped exploration and mining projects on several continents. Thus early July 2013 the Argentine Government canceled a deal with Canada's Osisko gold mining company (one of the largest Canadian gold mining companies) in the north-west of the country after the protests of environmentalists, despite the fact that the disaffirmation will have significant social and economic consequences. Local authorities of the La Rioja Province said that they could not achieve with the consent of the local population for the project. Protests with the support of Greenpeace lasted two years. Ecologists were concerned about the cyanide use and a large water volume for the precious metal mining.

In April 2013, due to the protests of local community Gaychursky ore-dressing and processing enterprise located on Zaporozhye region (Ukraine) lost its license to mine iron ore on the Gulyaypolsky deposit issued at the turn of 2012. Right there in Ukraine since January 2013 when Shell and Nadra Yuzivska signed an agreement to share products from the extraction of shale gas at Yuzivska gas field local community of Donetsk and Kharkov regions protests against Shell's plans to extract gas in regions. The discontent is caused by the risk of negative environmental impact on those areas in case of fracturing use in the extraction. In addition, according to experts of the National Ecological Centre of Ukraine shale gas extraction threatens the existence of the virginal natural area, the national park "Svyatye Gory". The Bern Convention on the Conservation of European Wildlife and Natural Habitats, the Bonn Convention on Migratory Species, the African-Eurasian Waterbird Agreement will be contravened. Aimed growing protests company officials said that the company is ready to leave the project if the public will continue to be against the development of the field.

August 19, 2013, British police dispersed hundreds of protesters who blocked access to an oil exploration site in rural England on Monday in an intensification of an almost month-long standoff over the nascent shale gas extraction industry in Britain. A total of 36 people were detained, both in the village of Balcome and in London, in the first of two days of "direct action" against the drilling process known as fracking, which protesters fear may trigger small earthquakes and pollute water supplies. Hundreds of protesters converged on the West Sussex village and repeatedly scuffled with around 400 police who were bussed in from 10 different forces around Britain. While many played drums and sang, others chained themselves to each other at the entrance of the Cuadrilla Resources-owned site, behind tall metal fences down a country lane bordered by dense woodland.

Desperate to stimulate a U.S.-style production boom and offset dwindling North Sea oil and gas reserves, the Conservative-led government has backed fracking as an "energy revolution" that can create jobs and lower energy prices. Imports for Britain have so far mostly come from Norway and, increasingly Qatar. Last year it imported around 50 billion cubic meters of gas via pipelines and liquefied natural gas (LNG) ships. The country has potentially vast shale gas resources in underground rock formations; the government said last month there may be 1,300 trillion cubic feet of gas present in the north of England alone. Activists argue the government should invest in renewable energy rather than fracking, the retrieval of gas and oil from rock by injection of high-pressure water, sand and chemicals.

In the nearest future on the Urup island of Greater Kuril Ridge (Russia) the company "Kurilgeo", which is 100% owned by the Cyprus offshore company Solway Group, plans to start mining on Aininskoe gold ore deposit using heap leaching. On Urup island there are the most important habitats of rare marine animals: sea otters, kuril seals, sea lions. All three of these species had been listed in the Red Book of Russia, in the Red Book of the Sakhalin region and in the Red Book. And their main breeding grounds locate in the immediate vicinity of the Aininskoe deposit. Urup island as a special area of key importance for the conservation of the Kuril sea otter population has been allocated by the Red Book of the Sakhalin region and the Red Book of the Russian Federation. Also the Red Book of the Sakhalin region has recommended the creation of a special protected natural reservation on Urup island. Since 1958, the island was a natural reserve, but in 2003 it was shorn of this status. Local residents have appealed to the Chairman of the Russian Government Dmitry Medvedev and the Minister of Natural Resources and Environment, Sergey Donskoy with a request to stop the project activity for the gold mining and to create on the island of specially protected natural reservation.

Local residents actively protest against the planned construction of the coal strip mine "Arshanovsky" on Beysky field in Khakassia (the Russian Federation). The planned annual capacity is 5 million metric tons of coal during the first phase of start-up and 10 million metric tons on the second. The coal strip mine "Arshanovsky" will be located 1 km from townships and is that according to residents, makes it impossible to living in townships due to high gas, dust, hazardous proximity to the site of the mining (a planned depth career is 200 m). In this case conditions for traditional agriculture land use will disappear what will threaten the existents of four ancient native villages. It will be possible pollution of the river Abakan, which is the source of drinking water for cities and towns with population over 300 thousand people. Gatherings and meetings were held in

villages, towns and Abakan city. Signatures of citizens on a petition to the President of the Russian Federation which demands to stop development operation are gathered.

The population protests against not only running exploration and mining projects, but already against planned auctions and tenders for the right to use subsoil plots (table 1). In early July 2013, the Transbaikal Subsoil Resource Management Agency has announced the auction for the right of subsoil use for exploration and mining of alluvial gold in Kyrinsky district in the basin of the river Kirkun. A site plot was 7.7 km<sup>2</sup>, expected gold resources were 23 kg, and the minimum (start-up) rate of subsoil use one-off payment was 77 thousand rubles (around \$2500). Representatives of environmental organizations - the International Coalition "Rivers without borders» and the Amur branch of World Wildlife Fund (WWF) - appealed to the Minister of Natural resources and Ecology of the Russian Federation to cancel the auction due to the high nature value of the Amur river basin and include this and another subsoil areas situated in the transboundary basin of the river Onon in the Federal Fund of Reserve Subsoil Areas.

In Russia the apotheosis of similar protests has been the confrontation of the people and the authorities to discuss the development of copper-nickel deposits in the Central Federal district (Voronezh region). It's been two years after the Resolution was made by the RF Government on 26.12.2011 registered under № 2360-r on the competition for the mineral rights at Elkinsky and Elansky copper and nickel deposits, and the protests of Voronezh and surrounding areas residents against the exploration and development of these fields referred to the subsoil areas of federal significance, have not been dying out. Social movements have been formed – such as "In Defense of Khooper" and "Green Ribbon" – including the unnamed action groups collecting signatures against the "nickel" project. The population is seriously concerned with its own health and safety of the recreational resources, unique Voronezh black soils, the purity of surface and ground waters, of the river Khooper, recognized by UNESCO as the cleanest river in Europe, Khooper Reserve with plants and animals listed in the Red Book, including the state of nature as a public domain.

However, public administration bodies in the sphere of subsoil resources believe that the possibility of profitable nickel mining in northern Russia, in Norilsk mining district is almost exhausted, and the inferred reserves of the Voronezh region in the event of positive results after exploration activities can be implemented in reserves of nickel, copper and cobalt, the largest in Europe, and the future mine will provide jobs and the social sphere development.

In accordance with the contest results dated May 22, 2012 the winner was Mednogorsk copper and sulfur plant - a subsidiary of the Ural Mining and Metallurgical Company. On July 26, 2012 the winner was issued the licenses for subsoil use.

Geologically, the license areas are located in the Elansky and Uvarovskiy mining district of Kalach-Ertiskaya zone of Voronezh crystalline core-area. Inferred resources of categories P2 + P3 of Elkinsky license area amount to 993.8 thousand tons of nickel, 33.9 thousand tons of cobalt, 129.6 thousand tons of copper, Elansky - 54.1 thousand tons of nickel, 5.6 tons of copper, 1.7 tons of cobalt P1 and 1753.5 thousand tons of nickel, 209.3 thousand tons of copper, 53.3 thousand tons of cobalt by category P2 + P3.

*Table 1: The announced auctions for subsoil use drew protests from the local population (the Russian Federation)*

Subsoil areas, Subjects of the Russian Federation	The announcement about holding a tender or auctions	The operation related to the use of subsoil, minerals	Plottag e, square kilometers	Inferred mineral resources	One-off subsoil use payment, \$	Possible dangers to the environment and to the health of people living in the areas affected by operation related to the subsoil use (in the opinion of the local population) and environmental organizations) and claims advanced by the local community
Tsagan plot, Transbaical Territory	10.07.2013	Exploration and production of placer gold	7,7	23 kilograms	2567	The destruction of natural landscapes. Pollution of the Onon river basin There are no socio-economic benefits for the local population to mine of so insignificant reserves of placer gold  It is proposed to cancel the auction and solicit for inclusion of the Tsagan plot and other subsoil plots of placer gold in the transboundary Onon river basin in the Federal Fund of reserve subsoil areas
Shapsugsky plot, Krasnodar Territory	25.06.2013	Geological survey, exploration and production of natural cement rocks	24,84	P <sub>3</sub> – 160 million tonnes	20 000	Forests and natural landscapes of the Skabido and Abin rivers with their tributaries, the favourite recreation area of locals and tourists near the Shapsugsky village, historical and cultural monuments, located on its territory - three ancient dolmens in a good state of preservation, a large number of mounds, the mud volcano, the remains of Genoese fortress on the Ostray mountain, the famous recreational site Romashkina Polyana - will be destroyed. It is suggested to cancel auctions and create near the Sapsugsky village a specially protected natural territory
Erivansky plot, Krasnodar Territory	25.06.2013	Geological survey, exploration and production of natural cement rocks	8,38	P <sub>1</sub> – 60 million tonnes	10 000	
Abinsky plot, Krasnodar Territory	25.06.2013	Geological survey, exploration and production of natural cement rocks	2,55	P <sub>3</sub> – 40 million tonnes	6 900	

In accordance with the terms of subsoil use exploration of these areas should be completed in May of 2020, in May of 2021 a technical development project should be drawn, in 2022 - the construction of infrastructure facilities of the mining enterprise, in 2027 the mining enterprise should be put into service and in 2028 it should reach the design capacity.

In June 2012, in an attempt to solve the ethical dilemma with the legal instruments, the social organizations appealed to the regional court to obtain the right for the referendum on the development of copper and nickel deposits of the Voronezh Region. But the court denied the claims, explaining that these areas belong to the subsoil plots of federal importance, and the right to dispose of them belongs to the federal authorities, but not under the joint competence. Considering that such a decision of the regional court does not take into account the other provisions of the Russian Federation Constitution, the social activists appealed to the RF Supreme Court. - On September 14, 2012 the RF Supreme Court refused to hold a referendum on the issue of the nickel deposits development in the Voronezh Region. The Court agreed with the decision of the Voronezh Regional Court and noted that the Russian Federation has the exclusive right to use these deposits. - July 22. 2013 another protest rally resembled the Luddites uprising. About a thousand protesters went to Elansky field, where the temporary settlement of geologists was situated. The protesters broke a fence, surrounding exploration site, and construction trailers, and to set on fire two drilling rigs of \$1000 000 worth each.

Similar examples in different countries with the participation of different peoples and local communities indicate the real trends about negative attitude of the local population to any exploration and mining work regardless of exploration methods, mining systems and environmental protection measures. In particular in areas where people strongly rely on ecosystem services or have suffered from negative environmental impacts before, mining is viewed more critically. No one wants to placement or career mine near his home. Perceived and actual environmental impacts created by mining operations are one of the most frequent causes for the local population to oppose new projects in their region. In many places communities report a lack of financial benefits to local business in spite of massive profits for mining companies and royalties for government. However, it cannot be denied that the population upsurge, social progress and the unlimited desire of the population to raise living standards and comfort require permanent economic advancement accompanied by mineral resources production and consumption growth, belonging to the non-renewable natural resources group. This is confirmed by the data of the world statistics (table 2).

Almost all the specialists in the sphere of natural resources law while analyzing the legal status of natural sites emphasize that the concepts «earth», «mineral resources», «water», «forest» have a deep moral nature and cannot be anything else but the national property. Without going into discussion about the problems of title to subsoil it should be observed that today subsoil shall be state property in most countries, and shall be public property including public domain in Largest Economies.

*Table 2: Total world main mineral resources production*  
 (data: *BP Statistical Review of World Energy, June 2013; World Coal Institute, 2012; World Nonferrous Metal Statistics 1986-2005; GFMS Gold Survey, 2012*)

Years	Production					
	Natural gas, billion cubic meters	Oil, million tonnes	Coal, i.e. bituminous coal and anthracite (hard coal), and lignite and brown (sub-bituminous) coal, million tonnes oil equivalent	Uranium, metric tonnes	Gold, kilograms	Nickel, thousands tonnes
1970	1021	2358,0	-	-	-	-
1980	1456	3092,0	2 805,0	-	-	-
1985	1676	2797,0	-	34 936	1 606 573	771,6
1990	2000	3175,0	2 677,0	49 728	2 149 276	894,5
1995	2141	3286,0	-	33 084	2 175 279	1030,4
2000	2436	3611,8	-	35 221	2 565 884	1223,8
2001	2493	3601,6	-	36 363	2 543 873	1284,0
2002	2524	3584,2	2 401,9	36 400	2 537 657	1303,1
2003	2620	3701,1	2 572,7	35 812	2 538 438	1349,5
2004	2691	3877,0	2 781,3	40 551	2 496 000	1355,0
2005	2780	3906,6	2 942,4	41 827	2 550 000	1383,9
2006	2880	3916,2	3 100,7	-	2 482 000	1397,0
2007	2943	3904,3	3 211,1	-	2 476 000	1440,3
2008	3054	3933,7	3 324,2	-	2 408 000	1484,9
2009	2969	3831,0	3 354,3	-	2 589 000	1530,9
2010	3192	3913,7	3 542,7	-	2 689 000	1590,4
2011	3291	4019,0	3 759,1	-	2 694 000	1800,0
2012	3364	4119,0	3 845,3	-	2 700 000	2100,0

Thus, the state subsoil reserve as state property and public domain is possible to characterize as follows: it is a non - renewable natural object, the right to use which may be granted to individuals and legal entities on paid and fixed-term conditions with the obligation of the subsoil user to comply license's terms and conditions; at the same times the procedure, the rational for subsoil plots and involved exploration and mining reserves should ensure public interests of both current and future generations.

The constitutional recognition of subsoil, as state property, and, most importantly, how the public domain (Germany, Greece, Spain, Italy, Norway, Russia, Sweden and others) obliges the state to ensure as sustainable economic development, as implementation of specific subsoil functions of the public good to design and implement federal policy for the subsoil use, a strategy for the use of the mineral raw materials base, the rate of its replacement, its further increase and qualitative improvement by preparing and fulfilling federal programs. First of all, states and government have to find cost-effective solutions ensuring the sustainable development of the mineral resource complex and preservation of the environment in conditions of uneven geographical distribution of mineral deposits both in Russia and worldwide. Sustainable mining is a theoretical, but highly unlikely, possibility. The use of non-renewable resources - such as metals and minerals - can be

sustainable if the use is declining, and the rate of decline is greater than the rate of depletion.

Subsoil within the territory of the Russian Federation, including the subsoil domain and mineral resources contained therein, energy and other resources shall be state property. Issues of ownership, use and disposal of subsoil shall fall under the joint jurisdiction of the Russian Federation and the subjects of the Russian Federation.

Mentioned in examples Elkinsky and Elansky copper and nickel deposits in accordance with the Law of Russian Federation «On subsoil» shall be deemed pertaining to subsoil areas of federal importance. Thus the adoption of decisions granting subsoil use the responsibility for the consequences of these decisions must be competence of the RF Government. It is a pity that the RF Government while making decisions could not foresee such progressive of events, protests and direct opposition of local population and afforded an opportunity to subsoil user to mend relations with local population by itself. It is impossible to say, had been article 9 of the Constitution of the Russian Federation («Land and other natural resources shall be utilized and protected in the Russian Federation as the basis of life and activity of the people living in corresponding territories») and article 36 («Possession, utilization and disposal of land and other natural resources shall be exercised by the owners freely, if it is not detrimental to the environment and does not violate the rights and lawful interests of other people») taken into consideration while making decisions.

In actual practice there is another silent participant of the conflict – abiotic nature. We should not treat it as a thing. The possibility and the duty of man is to represent its rights (or «quasi-rights» is a correlate of legal rights), be an advocate its interests in practical discourses and institutes created by man.

Mining activities to a varying degree act on natural landscapes negatively, disturb groundwater hydraulics, contaminate areas, subsoil and underground water, reduce geodiversity<sup>1</sup> etc. The consequences of exploitation and destruction of abiotic nature is not perceived as a real threat to our existence, such as nuclear war. Firstly, they are as far away from us in time and secondly, production of mineral resources creates illusion of activity for the population. However, conversation to the conservation of abiotic nature, to ethics in the system «man - abiotic nature» for many people is by no means clear and understandable. As M. Grey's apt expression "Save the Dolphin" is always likely to have greater appeal to the public than "Save the Drumlin". - Nevertheless, the requirement to stop or prevent mining activities is obviously inadequate, so far as since such sort of «solution» should complete rejection of the solution. It needs finding adequate solution in ethical field, not in strategic mind.

In varying degrees any country, and particularly raw material producing countries face one of geoethical dilemmas, so-called the mineral resource dilemma. - In most of above examples the state could not foresee social conflicts, and now the desperate local population or subsoil user have to seek solutions separately. So long as geoethical

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<sup>1</sup> Geodiversity is the natural range (diversity) of geological (bedrock), geomorphological (landform) and soil features, assemblages, systems and process. Geodiversity includes evidence for the history of the earth (evidence of past life, ecosystems and environments) and a range of process (biological, hydrological and atmospheric) currently acting on rocks, landforms and soils (Eberhard R. The Value of Geodiversity. 2002. <http://www.dpiwe.tas.gov.au>)

dilemmas will only arise about if any party to a conflict suffer losses in any case, in any decision, now mutual ethical decision will be of several evils to choose the lesser.

In the general case mineral resource dilemma will be as follows:

Sooner or later companies hold a license for subsoil use faces the necessity to get consent of the local population for exploration and mining activities. Both the subsoil user and parties have to make a decision:

- the local community does not argue against the decision of state bodies on granting the right for subsoil use and in 8-10 years the local budget will receive additional income, the size of which will depend on environmental control expenditures of subsoil user and social development expenditures; in this case environment and subsoil undergo degradation in varying degrees;
- the local community lobbies against exploration and production of mineral resources; either the license holder relinquishes his right for subsoil use, in this case environment local budget does not get any revenues, or the license holder does not relinquishes his right for subsoil use and maximizes its environmental and social expenditures minimizes environmental and subsoil damages, damage to population health and local budget revenues (table 3).

*Table 3: Matrix of possible solutions of the mineral resource dilemma and their consequences*

A \ B	The local community protests	The local community is perfectly indifferent to exploration and mining in own
The subsoil user does not take into account protests or social needs of the local community	A subsoil user have to take the project completely off, having suffered direct losses  Environment and abiotic nature completely preserved  Local budget does not receive any mining revenues  <b>Alternative # 1 - a B b</b>	The subsoil user get maximum mining profit  Environmental and subsoil degradation  Maximum mining revenues to the local budget from the extraction  <b>Alternative # 2 - A b B</b>
The subsoil user incur subsoil and environmental control costs and expenditures for welfare and social benefits	Minimal subsoil user profit due to environmental control expenditures maximize  Minimal damage to the environment and abiotic nature  Local budget revenues  <b>Alternative # 3 - a B B</b>	Medium subsoil user profit due to obligatory environmental control expenditures and social sphere  Damage to the environment and abiotic nature  Local budget revenues  <b>Alternative # 4 - a b B</b>

The dilemma arises when we have to choose goals and interaction strategies. If each party thinks only about its own purposes (profits maximization of the company or any price nature preservation of the undisturbed nature and subsoil, even if there is not local budget revenues and the local community prefers to live without any prospects to improve the standard of life, this will be a choice of the each), alternative # 1 will be the best for the

local community and alternative # 2 for the subsoil user. But from the group point of view, if the subsurface user and the local community are aware of limited uneven geographical distribution of mineral deposits, growing mineral resources requirements of society, the necessity of economic development and improving people's lives, trying to maximally preserve the environment from the mining negative effects, it will be the best to act together using alternative # 3 and # 4. In this case, the degree of goal achievement firstly will be depend on demands of the local community being of interest to nature too, secondly what environmental and social costs are ready to bear the subsoil user getting the consent of the local population to mine.

At the same time any dilemma participants cannot be sure that the other will meet its obligation during the license period. The right to the subsoil use would be terminated by public authorities or the subsoil user for different reasons at any time. With that the subsoil user will not have any legal grounds and moral rights to keep its environmental and social commitments. Also there is no guarantee that the requirements of the local population will not change during the validity period of the license.

Final decisions of the mineral resource dilemma have been presented in the matrix (table 3). However, the origin of the mineral resources dilemmas and its consequences (protests of the local communities, economic losses of a subsoil user, the size of damage to the environment, and others) are determined, primarily, by the decision of public authorities about the necessity to conduct a geological survey, exploration and production on the subsoil plots. From the point of view of Geoethics such decisions should be made with obligatory to use ethical imperative: sustainable development in triple system of «Abiotic nature - man - society» should be based on the need to ensure:

- the human right to a healthy and productive life in harmony with nature;
- equality of opportunities for the development and preservation of abiotic nature, including mineral resources, useful properties of subsoil, landscapes etc., for present and future generations;
- socio-economic development aimed at improving the quality of people life within limits of the economic capacity of geological systems and sites;
- elimination of causes of negative impacts and geological sites, features and systems at all levels, not their consequences;
- the formation of geoethical consciousness and world view of a person and society, geoethical upbringing and education system.

In practice, this means that the creation of scientifically substantiated programs for developing and using the mineral raw materials base including analysis of the existing and forecast future levels of production and consumption of mineral raw materials, and programs of economic and social development of the territories, reflecting the needs of the economy in mineral raw materials, specific goals of the government and the local population (and not only to the subsoil user) that will be achieved in the exploration and development on the subsoil area, analysis of possible social and environmental risks should be preceded by the granting of the right to use subsoil plots. The answers to all questions which is asked by the local population now at its protest rallies could be got on the stage of preparation for licensing:

Is the development of mineral deposit really necessary for the economy?

What government revenues and local budget benefits in the short and long term will be derived in case of mine development?

What will the possible perils to the public health and living conditions be?

What objects, components, elements, systems of the environment will be lost forever or will undergo degradation in case of mine development?

What will the balance of economic benefits from mining to the state and population be? And what is the value of that part of the environment that inevitably will be destroyed or become degraded due to mining?

What are the terms and specific activities are planned for the rehabilitation and restoration of land areas and other natural features damaged in the subsoil use to a condition suitable for further use? What are the guarantees for their implementation?

A special issue is the fair distribution of the benefits from mining. Federal law «On the Federal budget for 2013 and the planning period of 2014-2015» provides for the following norms of income distribution from subsoil use (table 4).

*Table 4: Norms of income distribution from the subsoil use between the budgets of the budgetary system of the RF for 2013 and the planning period of 2014 and 2015 (%)*

Item of income	The federal budget	Budgets of constituent entities of the Russian Federation
One-off subsoil use payments in the case of onset of certain events stipulated by a license (except for subsoil plots containing deposits of diamonds, and local-significance subsoil plots)	100	-
One-off subsoil use payments in the case of onset of certain events stipulated by a license for use of local-significance subsoil plots	-	100
The mineral resource recovery tax (combustible natural gas)	100	-
The mineral resource recovery tax for hydrocarbon raw materials (except for combustible natural gas)	100	-
The mineral resource recovery tax (except hydrocarbon raw materials, natural diamonds and commonly occurring mineral resources)	40	60
The mineral resource recovery tax for commonly occurring mineral resources	-	100
The mineral resource recovery tax for natural diamonds	-	100
Regular subsoil use payments	40	60

As follows from the table 4, the main income of subsoil use at the first stage subsoil plots granting (one-off subsoil use payments in the case of onset of certain events stipulated by a license with the exception of subsoil plots containing deposits of diamonds, and local-significance subsoil plots) are entered in the Federal budget. Budgets of constituent entities of the Russian Federation would be increased for account of regular subsoil use payments during geological survey and exploration only (60 % of very small amounts by the low rates of payments), and during mining for account of the mineral resource recovery tax (in the general case 60 % of the mineral resource recovery tax for solid minerals and 100 % in the case commonly occurring mineral resources mining). In the this these revenues are distant in time from the auction (tender) for 7-10 years, but the local population can already see the destruction of the environment including abiotic nature while commence infrastructure facilities construction and opening of mine. Such imbalance in the distribution of the main subsoil use incomes between the Federal budget and budgets of constituent entities of the Russian Federation, not to mention local budgets, which gets little of the profits (in the best case, these revenues will be spread

throughout the region), causes, to put it mildly, a wariness of the local population and not encouraging constructive dialogue between the authorities and the local community.

This imbalance leaves the local population asking two following questions: who is the final beneficiary of the subsoil user and where the company has been registered? First of all, answers are strictly confidential. Secondly, even if the company registered abroad is named in this case state authorities should use such kind of the implement like “subsoil areas of federal importance” for limitation of subsoil use access. In the third, it should be noted that today in RF there is not any mining company has been registered in Russia, except stock company “ALROSA”. Abroad registration is used primarily for search and obtains cheap loans, without which it is impossible to develop mining projects, and in order to avoid a hostile takeover. However, specific subsoil use payments and the mineral resource recovery tax come to the budgets of the Russian Federation in any registration. In this situation, the task of the government is to create institutional conditions in which companies can maintain and develop their business, including maximum care and environmental protection and social development of territories.

If the mining company purposes obtains the license for subsoil use it must have a common strategy of conflict prevention in the mining sector, including situation analysis, stakeholder engagement and integrated impact assessment. To ensure economic feasibility, profitability and continuity with respect to their activities it should gain «consent» of the local population which to mine the acceptant and belief by society in the necessity, validity and value creation of mining activities.

There are now many successful big and small corporations (CJSC Petropavlovsk Managing Company, Kinross Gold Corporation and etc.) working hand in hand with local communities, environmentalists, civil society groups and governments. Their purpose is not only the profit from mining, but to improve livelihoods, to keep population aggregates and to give alternative job placement after accomplishment of mining projects, to restore of land areas and other natural features damaged in the subsoil use to a condition suitable for further use, while conserving the environment and preserving cultural heritage.