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The accelerating global transition toward low-carbon energy systems has sharply increased demand for critical minerals such as copper, lithium, nickel, and rare earth elements. These minerals are indispensable inputs for renewable power generation, electrified transport, electricity grids, and digital infrastructure.¹ As a result, mineral-rich countries have become strategically important actors in the global political economy of the energy transition. Peru occupies a central position in this landscape, holding approximately 10% of global copper reserves alongside significant gold, silver, zinc, lead, and tin endowments.²

Mining: a source of benefits and conflict

Mining plays an important role in Peru's export profile and economy. In 2024, the sector accounted for 9% of GDP and close to two-thirds of total export revenues.³ Moreover, it has contributed to roughly 18-20% of government revenues in peak years, and 1-2% of direct employment, representing over 200,000 formal, relatively high-wage jobs, particularly benefitting rural Andean regions.⁴

However, despite its economic importance, mining remains the principal source of social conflict in Peru. In late 2025, the Ombudsman's Office recorded 204 active social conflicts nationwide, of which 61 were directly related to mining activities.⁵ These conflicts are concentrated in rural and Indigenous territories and reflect concerns over land acquisition, water quality and availability, dust and transport impacts, unmet social commitments, and inadequate consultation processes. Such disputes generate not only social and environmental harm but also significant financial and operational risks for companies, investors, and the state.

China has emerged as Peru's principal trade partner and one of its most influential mining investors. Since the 1990s, Chinese state-owned and publicly listed companies Shougang, Minmetals Development, Chinalco, MMG, Jiangxi Copper, and Zijin Mining have invested billions of dollars in large-scale mining operations across the country. Although there is no evidence that Chinese companies have a worse environmental, social and governance

(ESG) performance than others,⁶ they have been heavily affected by social conflicts impacting their operations. By 2024, only the MMG consortium and Chinalco copper mines in Las Bambas and Toromocho respectively, and Shougang iron mines through Hierro Perú and Minera Shouxin Perú SA. Minmetals Development, Jiangxi Copper and Zijin Mining's projects remain stalled due to social conflicts.⁷

Regulatory weaknesses and the costs of conflict

A central driver of persistent conflict lies in structural contradictions within Peru's legal and institutional framework. Although Peru ratified the International Labour Organization Convention No. 169 on Indigenous and Tribal Peoples, the General Mining Law does not require prior consultation before concessions are granted. In practice, consultations typically occur during environmental impact assessments or project implementation, when communities have limited bargaining power or conflicts have already escalated.⁸

This sequencing shifts disputes from preventive governance toward prolonged negotiations over compensation often involving repeated protests and operational disruptions.

Regulatory changes have further weakened environmental governance. In 2024, amendments to the Environmental Impact Assessment System through the 005-2024-MINAM decree diminished the authority of SENACE, the Ministry of Environment certification agency.

Welcomed by mining companies and criticised by legal experts, the decree raised concerns about increased discretion and less technical rigor and transparency in the environmental impact assessments.⁹ In addition, environmental governance setbacks intersect with rising rural poverty and the expansion of informal and illegal mining activities, frequently associated with organized crime and environmental degradation.¹⁰ Together, these dynamics intensify tensions between communities, companies, and the state.

Although companies do not publish information on the financial impact of social conflicts and environmental issues, estimates suggest substantial losses for both companies and their investors, as well as the Peruvian government. Between 2008 and 2014, social conflict in the mining sector was associated with more than USD 67 billion in foregone investment and fiscal revenues, while by 2023 over half of Peru's mining investment portfolio, corresponding to USD 29.7 billion, was delayed due to conflict-related factors.¹¹ The Las Bambas copper mine illustrates the scale of potential losses. Since 2016, repeated protests and transport blockades have resulted in more than 600 days of operational stoppages, contributing to a drop in GDP and undermining investor confidence.¹²

The Inter-American Development Bank further identifies a causal relationship between escalating social conflict and declining mining competitiveness, noting that mining related conflicts grew from 20% to nearly 50% of all national conflicts between 2005 and 2023, weakening investor confidence.¹³

The way forward

While Peruvian environmental regulations are weakening, international regulatory expectations are shifting from voluntary standards toward binding sustainability disclosure and due diligence obligations. The European Union has adopted a suite of regulations—including the Batteries

Regulation, the Corporate Sustainability Reporting Directive (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD)—that require companies placing products on the EU market to identify, prevent, and disclose adverse human rights and environmental impacts throughout their value chains.¹⁴ These rules apply to large non-EU companies, meaning that Chinese mining firms supplying European markets will be required to demonstrate robust ESG risk management.

China is moving in a similar direction. From 2026 onward, sustainability reporting will become mandatory for hundreds of listed companies under a double materiality framework that requires disclosure of both financial risks and societal and environmental impacts.¹⁵ While these reforms do not yet impose comprehensive due diligence requirements, they substantially increase transparency and expose overseas operational risks—such as social conflict in Peru—to scrutiny by regulators, investors, and lenders.

Against this backdrop, several implications emerge. First, continued reliance on weak host country legislation exposes Chinese and other mining companies to sustained conflicts and financial loss, and presents obstacles to the EU market. Batteries will have to meet European due diligence requirements from 2027, and companies will have to disclose their impact on communities in both China and the EU. Second, companies should adopt high quality ESG standards to prevent or resolve disputes. Among existing frameworks, the Initiative for Responsible Mining Assurance (IRMA) provides the most comprehensive mine-site-level standard, combining independent third-party audits, public reporting, and strong provisions on community engagement and Indigenous rights.¹⁶ Third, deregulation may fuel yet more conflicts if weaker environmental impact assessments lead to community protests, threatening investor confidence and fiscal revenues for the Peruvian government.

Key messages and recommendations:

Ensuring the sustainable trade of minerals for clean energy

- Mining is a source of jobs and income in Peru, and has brought social development to many communities, particularly in the Andes. However, it is also a source of social conflicts that have a high cost for communities, companies, investors, and the government.
- National regulations play a key role in preventing conflicts. High quality environmental impact assessments and pre-project meaningful consultations can provide a stable operating environment for Chinese and other companies and improve the image of Peru as an attractive investment destination.
- When national regulations or practices provide insufficient social and environmental safeguards, Chinese and other mining companies can strengthen their risk management by adopting the IRMA standard and integrating early, meaningful consultations with affected communities into project design and acquisition due diligence.
- Financial institutions and investors can reinforce incentives for strong social and environmental safeguards by sending strong signals against deregulation and requiring EU-battery readiness from companies linking lending and investment decisions to demonstrable ESG performance and certified standards.
- For Peru, restoring the integrity of environmental impact assessments, ensuring meaningful consultation prior to concession granting, and strengthening governance of mining revenues are critical steps to reduce conflict and maintain the country's credibility as a reliable supplier of transition minerals.

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