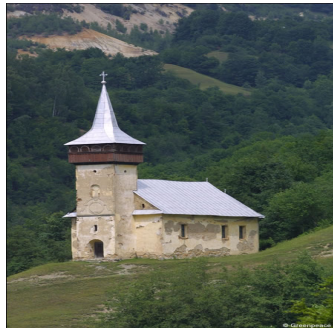


Seven Deadly Secrets: What the Export Development Canada does not want you to know



A publication by the NGO Working Group on the EDC

January 2003

This report is released on the occasion of the first anniversary of the adoption of the Environmental Review Directive by the Export Development Canada (EDC). It documents seven projects being pursued by Canadian companies that will have negative social, environmental and human rights impacts. Despite EDC's new policy framework, EDC is not required to inform the public whether it is considering these projects or if it has rejected them, what procedure, if any, it used to assess the possible environmental and social impacts, or what the possible impacts might be. This is in sharp contrast to World Bank standards or the practices of the US export credit agencies.

The NGO Working Group on the Export Development Canada is a coalition of Canadian non-governmental organizations concerned about the human and environmental impacts of export credit agencies. The Working Group promotes adherence by export credit agencies, particularly Canada's Export Development Canada, to internationally accepted standards regarding human rights, the environment and sustainable development.

The NGO Working Group on the Export Development Canada is hosted by the Halifax Initiative Coalition.



Members of the Working Group are:

Canadian Auto Workers

Canadian Council for International Cooperation

Canadian Friends of Burma

Canadian Labour Congress

Canadian Lawyers Association for International Human Rights

CUSO

Democracy Watch

Development and Peace

Falls Brook Centre

Kairos: Canadian Ecumenical Justice Initiatives

MiningWatch Canada

Project Ploughshares

RESULTS Canada

Rights & Democracy (formerly ICHRDD)

Sierra Club of Canada Nuclear Campaign

Social Justice Committee of Montreal

Steelworkers Humanity Fund

Toronto Environmental Alliance

West Coast Environmental Law Association

The efforts to hold export credit agencies, particularly the EDC, to international standards on good governance is made possible by the support of the Wallace Global Fund, the Charles Stewart Mott Foundation, Development and Peace and the grassroots foundation.

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Introduction

Export Development Canada (EDC) is a financial institution, known as an export credit agency, that is one hundred per cent owned by the Canadian government. It exists to assist Canadian companies to do business abroad by lending money or insuring against risk. EDC assists thousands of Canadian companies a year. Some of these companies are involved in large-scale projects in developing countries – projects that have an enormous impact on the environment and local communities.

EDC has been an accessory to a number of environmental and development debacles¹. In part, due to controversy around its association with such projects as the Three Gorges Dam in China, which is forcibly relocating upwards of two million people, EDC has recently updated its environmental policy, and adopted a policy on disclosure².

One year after the new Environmental Review Directive was adopted, it is impossible to know what impact this policy is having. Canadians remain in the dark as to what impact, if any, the policies have to ensure that EDC upholds international standards of environmental protection, sustainable development and human rights.

Canadian companies are the engines behind all of the projects described in this report. It is therefore possible that the projects highlighted in this publication are under consideration by EDC. Furthermore, all of these case studies entail serious environmental, social and human rights risks. Of the seven projects documented in this report, EDC has revealed only that it is considering supporting the Cernavoda nuclear reactor in Romania. The full environmental and social impact assessment has never been made public.

The questions below highlight how EDC is keeping information from the public that in other contexts and other countries would not be secret.

Is EDC considering extending support for these projects?

EDC is not required to tell the public whether it is considering these projects. Other public financial institutions, like the World Bank, the European Bank for Reconstruction and Development and EDC's American counterparts, the Export-Import Bank and the Overseas Private Investment Corporation, commit to telling the public up to 120 days in advance of approval, whether projects such as the ones described in this report are under consideration.

Does EDC require a review of environmental and social impacts?

As per its new environmental policy, EDC screens all transactions that come in and places them in a category according to the level of social and environmental risk engendered. Different categories require EDC to carry out different levels of due diligence. EDC does not release information on which category a transaction falls into. It also reserves the rights to re-categorize a project, without explanation. The World Bank, US export credit agencies and other public financial institutions inform the public of the category in which they have placed transactions. This provides a level of accountability and allows the public to bring information to light that may increase the level of diligence required.

What are the environmental and social impacts of a project?

Under its current environmental review directive and disclosure policy, EDC defers responsibility for revealing the full environmental and social impact assessments (ESIA) to companies. EDC also expects companies to hold public consultations on the assessments in the host country, and to take these into account in developing the ESIA. It does not however require them to do so, but only *encourages* them. In the case of Category A projects, such as Cernavoda, it *seeks consent* from the company to inform the public that it is considering supporting the project.³

Publicly releasing the environmental and social impacts, as well as plans to prevent or mitigate them, allows for those interested to provide more information if there are any potential gaps or inaccuracies. This improves the impact assessment and EDC's decision-making capacity. As the Office of the Auditor-General noted in its audit of EDC's environmental performance in 2001 "public consultation and disclosure are essential elements of a credible environmental review process".⁴

Other public financial institutions require this information to be made publicly available before approval, recognizing that environmental and social information is not commercial information.

What standards does EDC apply to a project to review the environmental and social information?

EDC can pick and choose which methodology it will apply. One mining project can therefore be reviewed according to World Bank standards, which would require public consultation, another mining project could be

reviewed using ISO 14000 standards which do not require consultation.⁵ At no point does EDC disclose which standard was used to review a particular project.

Has EDC considered the projects and turned them down on environmental or social grounds?

Release of this information would provide a measure of accountability to the public that EDC is applying its environmental policy. As well, it would send a signal to the Canadian company to improve its standards.

Has EDC supported this company in the past?

Whereas EDC now releases information about which company it supports on its website, *if* the company agrees, the disclosure policy is not retroactive. The projects profiled in this report have not yet happened. Many like them have. Has EDC provided support to these projects? As it stands, Canadians may never know.

* * * * *

Without changes to EDC's environment and disclosure policies, EDC is not required to inform the public, parliamentarians and even government officials whether it is considering support for controversial projects, if or how it has assessed the environmental and social risks or what those environmental and social risks are. EDC's environmental review directive and disclosure policy must be changed to require the release of information as to their application, or it appears that it is merely business as usual at the EDC.

See Appendix 2 for a detailed list of recommendations.

Chile - Alumysa Aluminum Smelter

The Aysén region of Chile is thought to be one of the three least contaminated areas on the planet. Residents of the region have declared Aysén a "Life Reserve". Yet Noranda has proposed an aluminum smelter in the region that would produce more than 1.5 million tonnes of solid and gaseous waste per year.⁶

Introduction

The Alumysa aluminum smelter is a \$2.75 billion (US) project proposed by the Canadian giant, Noranda⁷. Alumysa has been met with great opposition by a large number of Chilean and international organizations who are concerned about the devastating impacts this project will have on the fragile ecosystem and the people of Patagonia.

The proposed site for the Alumysa aluminum smelter is in Chacabuco Bay, Aysén in the southern Region XI of Patagonia in Chile. This location is 4 km from Puerto Chacabuco and 15 km from the town of Puerto Aysén.

The Alumysa project includes the construction of an aluminum smelter in Chacabuco Bay. As aluminum production is an extremely energy-intensive process (Noranda estimates that the Alumysa smelter will require 758 MW of energy⁸), the Alumysa project will require the construction of six dams to feed three hydroelectric installations, on the Cuervo, the Blanco, and the Condor Rivers. The project also involves the construction of a new port on the south-east coast of Chacabuco Bay with docking platforms 185 m long and 40 m wide, a wharf west of the mouth of the Cuervo River, 95 km of access roads, and 79.2 km of power lines of 220 KV with 40 m towers.

The smelter will have a capacity of approximately 440,000 tonnes of aluminum ingots per year, making it one of the highest-producing aluminum smelters in the world. Noranda proposes production of aluminum

from alumina imported from Jamaica, Brazil and/or Australia⁹. The smelter is estimated to have a 50-year life span¹⁰.

The environmental risks of Alumysa

The Aysén region of Chile is thought to be one of the three least contaminated areas on the planet. Residents of the region have declared Aysén a "Life Reserve". It is an area that is rich in native forests and pristine water resources¹¹. Since the glaciers retreated less than 12,000 years ago, Aysén has unique, recent, and fragile life. If the Alumysa project is approved, this pristine area will be destroyed by the continuous toxic emissions to the atmosphere. The smelter will generate emissions of polycyclic aromatic hydrocarbons (PAHs), fluorides, carbon coke powder, pitch, sulphur anhydrides (precursor to acid rain), carbon dioxides, and nitric acids 24 hours a day for 365 days a year¹². Particulate fluorides and particulate organic matter are highly



An aluminum smelter in Norway, similar in appearance to the one proposed for the Aysén region. (Peter Hartmann)

carcinogenic. These emissions total over 1.4 million tonnes per year¹³ and would contribute to greenhouse gas effects and climate change, destroy vegetation and wildlife habitat, inhibit vegetation growth, accumulation of toxics in the food chain, osteoporosis in animals and humans, and acid rain¹⁴. Although Noranda claims it will install filters and take other measures to reduce the levels of contaminants within the range required by Chilean environmental legislation, it has broken promises like these before. For example, its dioxins and furan emissions at the Magnolia magnesium smelter in Canada are 57.7 - 32.2 times higher than predicted¹⁵. Furthermore, while it is still unclear the type of technology, Noranda proposes to use, the projected carbon dioxide emissions indicate that it may not be the best technology available.

The smelter would produce approximately 1.5 million tonnes of gaseous and solid waste per year¹⁶. Solid waste products would contain fluorides, cyanide, and other toxic elements such as arsenic, depending on the origin of the raw materials¹⁷. Putting toxic smelter wastes such as fluorine, enriched alumina, cyanide, arsenic, heavy metals, tires, used motor oils, and industrial lubricants and solvents in landfill will be permanently damaging to the flora and fauna in this fragile ecosystem¹⁸. The principal problem is a potential filtration or leaching of subterranean water into the bay.

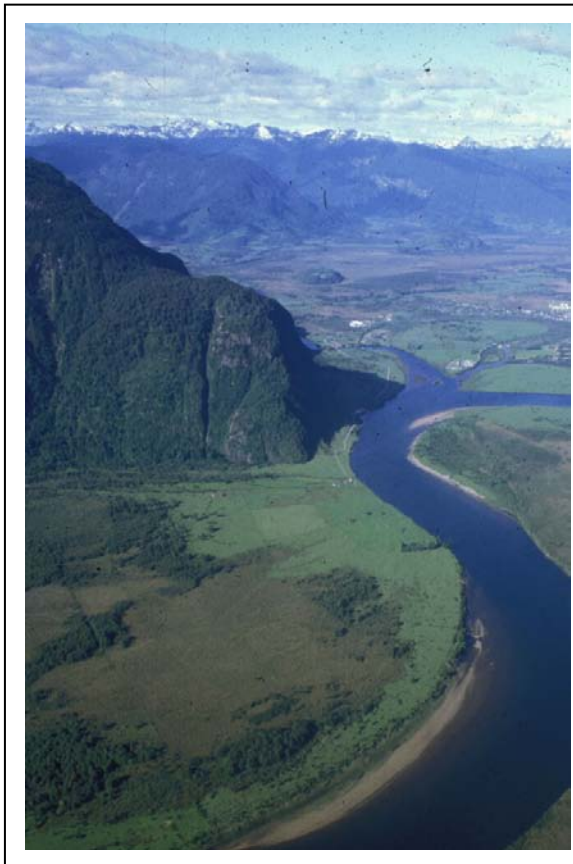
The Medical Association of Chile released a report on the effects of aluminum smelters in

November 2001¹⁹. Fluor, aluminum and petcoke are some of the polluting elements that bring with them great health costs. An increase in sulfates and sulfuric anhydrides provokes acid rain and consequently damages agriculture and vegetation. Methods for reducing aluminum may also liberate potentially carcinogenic elements. The Medical Association's report also includes other health problems such as electromagnetism, heavy metal contamination, ozone layer and greenhouse effects.

The hydroelectric plants will flood 9,598 hectares and damage another 602 hectares. The Blanco River dam will be 116 metres high or more and will be situated only a few kilometres upriver from the town of Puerto Aysén. The dams at the Cuervo River will be 70 and 62 metres high and the water levels of the lakes will rise 60 metres. There is risk that they will filter water from the Tabo River valley, tributary of the Los Palos River which flows to Puerto Aysén. There is also the risk that the level of water will rise and that the moraine dike will not resist, which threatens to flood the entire valley below and especially the town of Puerto Aysén. According to CONAF, the Chilean Forest Service, a total of 10,200 hectares of native forest and farmland will be devastated by the Alumysa project.

Finally, the Aysén area is geologically fragile and unstable. It is prone to

landslides, and there are traces of tidal waves. There are three active volcanoes in the area – one of which last erupted in 1991. The proposed aluminum smelter will be situated



The river Aysén where Alumysa was supposed to be built in 1995. (Peter Hartmann)

close to the Lipingue-Ofqui fault – where the intense 1960 Valdivia earthquake originated²⁰.

Social risks of Alumysa

Chile, known internationally for its salmon, risks losing a billion-dollar industry with the construction of this aluminum smelter. Hake fisheries also constitutes an important export to Spain. In addition to the questions around liquid and solid waste disposal, there is fear that increased traffic in Chacabuco Port could disrupt the many salmon and trout farms and destroy the tourism and fishery industry.

Although Noranda says that the Alumysa project will create 8,100 construction jobs at its peak, employ 5,000 people indirectly throughout the life of the project, and provide 1,100 direct permanent jobs²¹, there is no firm commitment made to hire members of the local population. Although Noranda has stated that they will carry out a training program to strengthen the local qualified labour supply, it has also publicly stated that it plans to contract labour from outside the region if sufficient skilled labour cannot be found from within.

The Environmental Impact Study (EIS) states that Noranda expects 16,000 new inhabitants to arrive in the Aysén region, which could have serious social impacts on the local population. The town of Puerto Aysén currently has a population of 18,000 people. Over 5 years, an average of 3,100 unemployed people will be expected to descend upon the region. In particular, the demand for 8,000 temporary construction workers during one quarter of the third year of the construction phase could bring social problems, including alcoholism, drug addiction, and prostitution²².

The dams will submerge 44 farms. Noranda has not consulted the majority of the owners of these farms who will be directly affected (displaced) by the Alumysa project in the preparation of its EIS²³.

Noranda filed an EIS before COREMA, the Regional Environmental Commission of Chile in August 2001. The EIS is a series of 24 documents weighing 1,200 kg (2640 pounds), to which Chilean citizens and the Chilean government had only 60 days and 120 days respectively to respond.

Despite the short time period for review, more than 1,400 criticisms of this EIS were presented by a number of different groups to COREMA. Noranda's EIS is vague, lacks detail and rigorous technical analysis. For example, there is no exhaustive chemical profile of liquid and solid wastes and the resulting contamination from landfill runoff and waste contact with rainwater runoff. Baseline flora and fauna data collection methods are vague and not inclusive of the entire area. There are no mitigation and follow-up plans, no emergency or contingency plans in the case of accidents or unexpected high levels of contamination, no water contamination estimates, no potable water supply contamination risk estimates for the towns of Chacabuco and Aysén, no accumulative air quality contamination estimate, no plan or detail on the proposed spent cathode treatment plant, and no environmental impact estimate for the salmon culture activity²⁴.

Chilean environmental authorities noted their serious concerns with the EIS to Noranda and asked that more information be made available. Noranda was given 180 days (until the end of August 2002) to produce this information, at the end of which it requested a 2-month extension. A 9-volume response was finally filed at the end of October 2002, to which the government had 20 working days to respond. There remain serious concerns about this project. According to Alumysa's general manager Robert Biehl, COREMA will submit a new document with observations at the end of December 2002, to which Noranda will respond within 5 months. CONAMA (Chile's national environmental commission) says that

the public service has 20 days to answer, but that COREMA has not released its schedule.

The Alumysa project has been met with strong Chilean and international opposition. The Aysén Life Reserve Alliance, made of more than 20 environmental, community, and law groups and formed in response to the Alumysa project, is the most important environmental coalition in Chile. In addition to this alliance, the campaign has been joined by the Salmon and Trout Producers Association, the Terram Foundation and the tourism chambers of Coyhaique and Puyuhuapi.

Constramet, the union of metallurgical workers in Chile that represents Noranda workers, has opposed building the smelter arguing that the creation of a few hundred short-term jobs does not warrant the destruction of the environment and the livelihood of the local inhabitants. Internationally, this campaign is supported by a growing number of organizations such as the International Rivers Network, Greenpeace, NRDC, Futafriends, Coalición Rios Vivos, Patagonia leaders of Avina.

The financial risks of investing in Alumysa

Noranda is in the process of securing financing for this \$2.75 billion (US) project.

Noranda admits the company is vulnerable to “fines, penalties, liability for clean up costs,



Lake Caro and the river Desague, both of which will be flooded. (Peter Hartmann)

damages, and the loss of important permits” as a result of “failure to comply with environmental legislation” and that they “cannot assure you that we will at all times be in compliance with all environmental regulations or that steps to bring us into compliance would not materially adversely affect our business, financial condition, liquidity and results of operations”²⁵. They link their vulnerability to “how stringently the regulations are implemented by the permitting authority”²⁶.

Noranda says that insurance coverage for “property, business interruption and liability” “may not provide sufficient coverage for losses related to these or other risks or hazards, and our insurance coverage may not continue to be available at economically feasible premiums, or at all”²⁷. Noranda maintains that “insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry”²⁸. The company should be encouraged to provide shareholders and stakeholders information on the level of insurance held at its operations and the gap between independently assessed risks and the level of insurance held.

In August 2002, a Chilean environmental law group called FIMA filed a lawsuit before the courts to annul the water rights for the development of the Alumysa project. Noranda had obtained the water rights for the Cuervo River, the site of one of the three electrical plants which will power the smelter, but the water code regulations governing the assessment of the total river flow were not complied with during the granting of these rights. In filing for the water rights, “Proyectos de Aysén”, Alumysa’s predecessor, claimed that the Cuervo River originates in the Yulton Lake, but in fact it originates in Muellín Lake, several kilometers south of Yulton Lake.

Finally, the Alumysa project is in the heart of Noranda’s overall investment strategy in South America. Noranda has aggressively moved

into Chile (20% of its holdings are in Chile, second only after their 53% holdings in Canada²⁹), with interests mostly in copper mining and smelting. For example, the expansion of Noranda's Chilean Altonorte smelter will allow Noranda to double its

concentrate treatment capacity from 400,000 tonnes to 820,000 tonnes per year³⁰.

This expansion in South America comes at a challenging time where Noranda is shutting down its smelters in Canada and is lethargic in its negotiations with Canadian workers.

Romania – Cernavoda Nuclear Reactor

Despite serious human rights abuses and environmental concerns linked to the first CANDU reactor at the Cernavoda nuclear project in Romania, the Export Development Canada is in the final stages of approving support for a second reactor.

Introduction

Although there have been no new reactor sales anywhere in North America since 1978, the Export Development Canada is in the final stages of approving financial support for a second 700 megawatt CANDU reactor (Cernavoda-2) in Romania.

Romanian dictator, Nicolae Ceaucescu, conceived the idea of building the Cernavoda nuclear power plant (NPP) in the late 1970s. Ceaucescu chose to use CANDU technology so that it could use natural uranium from Romanian mines³¹. The first unit, Cernavoda-1 was completed in 1996, more than 20 years after construction first began. Cernavoda-1 construction involved serious human rights abuses. Workers at the Cernavoda plant were conscripted, received little food, and lived in unheated, poorly serviced barracks. In 1990, AECL's President of CANDU operations admitted that AECL was aware of these conditions³².

In an effort to pay off its debt arising from the reactor, the Romanian government implemented food rationing and restrictions on energy consumption after 1983³³. The huge financial strain of Cernavoda-1 did not stop the Romanian government from pursuing

construction of the second nuclear reactor on the site of Cernavoda-1.

Construction on Cernavoda-2 started in 1980 but ground to a halt for financial reasons following the revolt against communist dictator Nicolae Ceaucescu in 1989. Cernavoda-2 was only 20 to 40% complete at the time. It will cost an estimated \$700 million US to complete Cernavoda-2³⁴, a partially built 700 megawatt reactor, located on the Danube River near the Black Sea.

Recently Société Générale of France signed an agreement of a package of loans of €384 million with Romania's state nuclear company, Societatea Nationala Nuclearelectrica (SNN), to finance the purchase of equipment and operations from

Western companies to complete the Cernavoda 2 reactor.³⁵

At the same time, Société Générale, supported by western exporters, is seeking investment insurances for its loans from two main sources. Canada's Export Development Canada is expected to provide US\$269 million, possibly in investment insurance (CDN\$316 million), while Italy's

SACE will provide a €118 million.³⁶ These two export credit agencies (ECAs) were approached by the Atomic Energy of Canada Limited (AECL), and the Italian state-owned



Italian ECA protesters voice their opinion (Antonio Tricarico, CRBM)

nuclear company Ansaldo Energia. AECL is a federal crown corporation that designs and markets CANDU reactors.

Euratom is also a principal source of funding and was approached by the Romanian government for the €223 million loan³⁷. Euratom is a loan facility that oversees the installation of nuclear facilities in the European Union, accession countries and more generally in Eastern Europe on behalf of the European Commission. Two other ECAs, France's COFACE and the US Export-Import Bank have been asked to provide the final portion of the funding between them, €23 million and US\$24 million respectively, covering Alstom and other subcontractors' operations in the project³⁸. The Romanian government itself will provide up to US\$200 million.³⁹ While the four ECAs are expected to approve the guarantees and provide the first disbursement by the spring of 2003, the Euratom loan is not expected to go through until mid 2003.⁴⁰

Environmental Impact

A complete environmental impact assessment for the Cernavoda 2 nuclear reactor has never been made publicly available. Of the environmental impact information that has been released, serious environmental impacts can be identified that have not been addressed.

In December 2001, AECL released a summary of its environmental assessment. EDC announced the release of this summary on its own website. The Sierra Club of Canada submitted a detailed critique of the summary, supported by over 70 organizations in 12 countries. Main concerns include the lack of an adequate public process, failure to consider alternatives to meeting projected energy needs, failure to disclose consequences of a nuclear accident or to disclose details of an emergency plan and failure to identify plan to manage nuclear wastes in perpetuity.⁴¹

No substantive response to these concerns and others raised has ever been received from EDC

or AECL.

In 1998, EURATOM, through the European Commission, commissioned an environmental study⁴² and additional safety, economic, financial and alternatives studies. To date, only the environmental study has been released to NGOs after repeated requests made in September 2002.

An NGO Fact-Finding Mission was sent to Romania at the end of January 2002. This mission was told that the Romanian government is finalizing its own EIA. According to Romanian Environmental Protection Law, this EIA would be subject to public consultations with locally-affected communities and Romanian NGOs before the Environment Ministry will grant Cernavoda-2 an environmental license⁴³. The report, apparently, was completed in its first draft in August 2002, and only a summary has been made available to the public due to commercial confidentiality.



A view of Cernavoda-1 and 2 (Olexi Pasyuk/ CEE Bankwatch)

In November 2002, the Austrian Institute for Applied Ecology was commissioned to act as an independent reviewer of the Euratom environmental study and on information provided about the Romanian EIA. It found that none of the three environmental studies made public to date actually constitute a full EIA. The most comprehensive of the three - the Euratom environmental study - fails to

cover all the issues required in a full EIA, as per European Union Council Directive 97/11/EC.⁴⁴ Nor do any of the three EIAs establish that a new 700 MW capacity power station is in fact necessary, what the impact will be on the Danube of hot water being emitted into the river, or what impact radioactive effluent will have on the drinking water of villages and towns in the surrounding area. Furthermore, seismic and other risks have not been fully assessed, or have at least been heavily underestimated.

Finally, informal consultations promoted by project sponsors for Cernavoda-2 were limited to the Constantza region and reportedly were attended only by “pro-nuclear” NGOs, many of which have been created by officials currently working for state nuclear agencies. Other NGOs could not attend meetings because of lack of funding to cover travel expenses. While the 1995 Romanian Environmental Protection Law allows the government not to disclose commercially sensitive information contained in EIA studies, under the UN/ECE Aarhus Convention on Access to Information, Public Consultation and Access to Justice on Environmental Matters, which entered into force in October 2001 and was ratified by Romania in 2000, the government is required to give citizens full access to all relevant information of a project’s environmental impact assessment⁴⁵. It is still unclear how the Romanian government will interpret the Aarhus Convention under domestic environmental law.

Breaching international environmental law

Romania, and all its neighbouring countries, bar the Serbian federation, have signed and ratified the Espoo Convention on the Environmental Impact Assessment in a Transboundary Context, which came into force in 1997. Cernavoda 2 is located about 35 km from the Romanian border with Bulgaria. As reported to Bulgarian NGOs last June⁴⁶, the Bulgarian government was never notified by the Romanian government about its intention to

go ahead with the project, in breach of article 3 of the Convention. Furthermore in November 2002 the Bulgarian Ministry of Environment and Waters officially requested the Romanian Ministry of Water and Environmental Protection to provide information relating to their intention to construct a new nuclear reactor at the Cernavoda Nuclear Power Plant. The purpose of this request was to determine the likely, and considerable, negative transboundary impact that the reactor will incur on the territory of the Republic of Bulgaria. A formal reply by the Romanian government is expected by December 2002.⁴⁷

Safety Concerns

The Cernavoda nuclear power plant is located in an area of seismic activity. Since 1979, three major earthquakes have occurred⁴⁸. This instability further exacerbates the general environmental concerns associated with CANDU reactors. The nearby town of Cernavoda has 20,000 inhabitants.

CANDUs have also repeatedly been associated with spills, design flaws with pressure tubes and feeder pipes leading to premature ageing, routine emissions of tritium (a radioactive form of hydrogen and a known carcinogen), heavy water leaks, and radiation exposure of workers⁴⁹.

Cernavoda-1 is no exception to these risks. The first shipment of fuel to Cernavoda witnessed an accident that contaminated a small area⁵⁰. In 1999, there was another accident, and associated fire that spread through the plant. At the beginning of July 2000, during a week when outside temperatures were high, the Nuclear Power Plant was temporarily turned off when the temperature within the plant reached 70 degrees and triggered an alarm system⁵¹. In 2001 two technical accidents occurred at the cooling water inlet and during the inspection of the fuel channel in the ordinary outage. Finally, last February, Cernavoda 1 was stopped for 72 hours because of an accident at the cooling system.

Security

CANDU reactors produce plutonium that can be used for nuclear bombs at any time in the next 20,000 years⁵². An NGO Fact-Finding Mission that traveled to the region confirmed that no additional security measures have been implemented at Cernavoda NPP after the September 11th terrorist attacks against New York and Washington.



Heat Supply sub-station in the town of Cernavoda (Olexi Pasyuk/ CEE Bankwatch)

Financial Impacts

A project of little use to the Romanian people

Whereas the Romanian government has said that Cernavoda 2 is a national priority for meeting domestic electricity needs⁵³, Romania is well under capacity currently, even without any efforts to reduce energy inefficiencies. While total installed capacity in 1999 was 19,676 MW⁵⁴, peak demand in 1998 was only 6,000 MW⁵⁵. EU energy experts confirmed that the increase of power generation in Romania is unnecessary and constitutes poor prioritizing by the Romanian government⁵⁶.

As reported by top-ranking Romanian nuclear officials, energy produced at Cernavoda 2 will be exported, preferably to Western countries, since neighbouring countries do not need it.⁵⁷ In particular, Italy has a strong interest in importing additional nuclear energy produced at Cernavoda. This ensures energy supply for the Italian people and exports the associated risks.

Debt-creating Aspects

Cernavoda-1 ended up costing US \$2.2 billion, creating a huge debt burden for Romania⁵⁸. In 1980, Canada engaged in a counter-trade agreement with Ceaucescu, which allowed Romania to export goods in lieu of paying cash for the reactor. At the same time, the Romanian government agreed to construction of a second CANDU reactor. But by March 1982, the deal had collapsed. Romania, heavily in debt, was unable to meet its payments⁵⁹.

During his visit to Canada in 1998, Romanian President Emil Constantinescu requested more than \$1 billion in additional financing, with special concessionary terms in order to complete the second reactor, including a longer payback period and a four year delay before repayment of loans commence⁶⁰. Under the terms of the Consensus Agreement of the Organization for Economic Cooperation and Development (OECD), western countries are forbidden from offering concessionary loans to promote the sale of nuclear power plants, even though the OECD Export Credit Arrangement provides far better terms for interest rates and repayment for nuclear projects relative to other sectors.

In addition, because of Romania's weak financial position and slow movement on market reforms, the IMF had advised Romania to reduce its debt exposure. This had put financing on hold as Romania was unable to extend the full sovereign guarantee required by the export credit agencies.⁶¹ However, in October 2002, the IMF increased Romania's debt ceiling to allow it to guarantee the nuclear reactor.⁶²

Opposition

In March 1999, 164 Canadian members of parliament and 42 senators came out publicly against federal government financial support for Cernavoda-2⁶³. In Italy, environmental and global activists claim that the financial support violates the spirit of a 1987 national referendum in Italy that forbids nuclear energy

production on Italian territory and the participation of Italian nuclear companies in projects abroad⁶⁴. Moreover, it is likely that Italy may even import energy from Cernavoda 2.

Within Romania, the Romanian government has targeted NGOs that have publicly opposed

the C2 project in the past few years as pro-Russian supporters who are working against national interests. The fear of becoming the target of such a campaign to defame those who speak out against the project likely deters more groups from taking a public stand in Romania⁶⁵.

Kanaky-New Caledonia – Goro Nickel Mine⁶⁶

In the name of this historical heritage, the soil, the subsoil, land, marine and natural space, constitute the heritage of the Kanak people. The administrative and political authorities cannot decide to transform this heritage without prior, informed and written consent of concerned indigenous populations, which will be given in the required formats. For any project deemed unacceptable, the customary authorities will use their veto right.⁶⁷

Plaine des Lacs area is one of very high endemism, but also very underexplored. We do not have an appropriate baseline inventory, and in fact we will be unable to detect any impact of the mining, considering how bad our current knowledge is.⁶⁸

Introduction

New Caledonia, also known as Kanaky⁶⁹, is a French Overseas Community in the Southwestern Pacific. The archipelago is surrounded by a 44,000 square kilometre reef system, which is the world's second largest coral massif in the world after Australia's Great Barrier Reef. Kanaky-New Caledonia (KNC) also boasts a rare double barrier reef and the world's largest lagoon, which contains all of the associated coral habitats.⁷⁰ The reef system is home to at least 15,000 species of marine animals, including at least 800 species found nowhere else on the planet. Kanaky-New Caledonia's coral reef system is located at the southern edge of the tropical zone and is considered to be in good health compared to other reefs in the Pacific that suffer "bleaching" associated with warmer temperatures.⁷¹ Regular discoveries of large numbers of new marine species are an indication of the, as yet, uncharted biodiversity of these reefs.⁷²

Kanaky - New Caledonia's terrestrial ecosystems have earned the country a global reputation as a region that contributes significantly to the world's biodiversity. The territory is extraordinarily rich in plant species.

Due to its isolated location and its soil type, which is high in chromium, magnesium and nickel and low in calcium, over 76% of the plant species found in KNC are unique in the world and can only be found in this archipelago.⁷³ Kanaky-New Caledonian animal species, while smaller in number, are similarly unique in the world.⁷⁴ Some 65% of reptile species and 47% of bird species may only be found in KNC. There is still a significant lack of knowledge about freshwater flora and fauna in Kanaky-New Caledonia, but again high percentages of freshwater species, especially aquatic insects, are endemic to KNC, meaning they do not exist anywhere else on earth. Bottom dwelling organisms in water bodies are considered important as they are at the bottom of the food chain but as yet almost no detailed information is available on bottom dwelling fauna in KNC rivers.⁷⁵ Kanaky-New Caledonia is one of the 25 biodiversity 'hotspots' on earth that contain 44% of the Earth's plant species and 35% of its vertebrate species in habitats that face a high risk of elimination.

In addition to a high percentage of endemic species, Kanaky-New Caledonia also contains about 25% the world's known nickel resources. Small-scale nickel mining on the archipelago

dates back to 1875. More recently, however, there has been a boom of major multinational mining companies exploring for deposits in KNC. Among the miners staking claims on the island are Canadian multinationals Inco and Falconbridge. Inco, and at least five other multinationals, are focusing on the sparsely populated southern tip of the main island, which has not yet been subjected to large-scale mining. Inco's Goro Nickel project is the most advanced of the mining projects.

Since March 2002, when Inco's flawed Environmental Impact Assessment was released, predicted dates for financing, permitting and start of operations have been continuously moved back in the face of lack of endorsement from the Kanak leadership, persistent international and national scrutiny of Inco's deficient EIA, local demonstrations and strikes and blockades by construction workers.⁷⁶ Indigenous Kanak leaders express strong concern over the impact the project will have on the livelihood and health of their communities, as well as on the delicate process of establishing national indigenous governance over traditional areas of Kanak authority in the country. Conservationists also protest the impact a 20% expansion of mining will have on the reefs and unique terrestrial ecosystems of Kanaky-New Caledonia.

On December 5, 2002, facing possible cost increases in the order of 45%, Inco suddenly announced its plan to undertake a comprehensive review of the Goro project, which will delay the mine's start up date indefinitely.⁷⁷

The Proposed Goro Nickel Mine

Location: Goro, Southern Province, New Caledonia.

Type: Open pit mining. High Pressure Acid Leach processing.⁷⁸ Effluent, but not tailings, will be piped into the sea.

Ownership: Inco currently owns 85% of the Goro project. Inco has an agreement-in-principle to buy back 15% of the project currently held by France's Bureau de Recherches Géologiques et Minières (BRGM). This buy-back is part of another agreement with a consortium of companies led by Sumitomo Metal Mining Company of Japan. The Sumitomo group has signed an agreement in principle to own 25% of the Goro project, subject to certain conditions, including the buy back from BRGM.⁷⁹ Inco's public documentation has projected an eventual ownership for Inco of 70% with 25% owned by the Sumitomo group and 5% owned by New Caledonia.⁸⁰ The week of November 18th, however, Inco apparently agreed to provide the New Caledonian Territorial Government with 5% of the project and the government of the Southern Province with an additional 5%.⁸¹

Product and Reserves: Goro is a laterite ore body. The Goro project is expected to produce a nickel oxide product containing 78 per cent nickel and a cobalt carbonate product. The grades at the site are 1.53% nickel and .12% cobalt.⁸² It is an enormous resource with 54 million tonnes of reserves and 242 million tonnes of resources.⁸³ Inco expects the mine to have a 100-year life.⁸⁴

Production Rate and Cost: The bankable feasibility study discusses a fully integrated mining and processing facility with an annual capacity of 54,000 tonnes of nickel and 5,400 tonnes of cobalt. Operating costs (after cobalt



Inco's Goro project in New Caledonia (Collective for Defence and Control of the Prony Heritage).

by-product credits) are expected to be below US\$1.00 per pound. Inco expects returns of 15% at 3-dollar nickel and 7-dollar cobalt, before any partner buy-in premium.⁸⁵

Development Costs and Financing⁸⁶: Based on a bankable feasibility study by Hatch of 2001⁸⁷, Goro's development costs were estimated at 1.45 billion. In the 4th quarter of 2002 this estimate was revised upwards by 15%. On December 5, 2002 the development costs estimate was revised upwards again by 30-45%, bringing the total cost of the mine to the \$2 billion mark.⁸⁸ Inco expected to share development costs with the Sumitomo group with which Inco has an agreement-in-principle. The French Development Agency (Agence Française de Développement, AFD) prepared a US\$7.5 million loan and proposed a \$11.4 million loan for power plant infrastructure to run the Goro factory.⁸⁹ As of October, 2002, only a small portion of the \$7.5 million loan had been disbursed⁹⁰. In addition, Inco has an agreement-in-principle with the French government for \$350 million in "very favourable tax assisted financing" for the project.⁹¹ Inco predicted having financing in place by the 4th quarter of 2002. *As of December 2002, Inco does not have financing in place.*

Permitting and Operating Dates: Inco predicted first production from Goro in 2004. In the 4th quarter of 2002, the start up date was pushed forward to 2005. On December 5, 2002, Inco delayed the start-up date indefinitely pending an internal review of the project. *As of December 2002, Inco does not have a permit to mine.*

Impacts and Issues

A profoundly flawed Environmental Impact Assessment:

There is no established Environmental Impact Assessment (EIA) process in Kanaky-New Caledonia and there are only a very few environmental standards and criteria that have

been adopted locally and only for a few types of facilities and activities (drinking water, disposal of domestic wastewater, etc.).⁹² In this legislative environment, Inco produced an "*Installation Classée*" (the document necessary to apply for a mining permit) on February 4, 2002, which contains environmental impact information.⁹³ The five-volume *Installation Classée* is in French.⁹⁴ The public had less than one month to provide written comments.

Before the *Installation Classée* was made public the pro-Goro strongman of the Southern Province where Goro is located, Jacques Lafleur, announced that he would provide a permit for the mine shortly after the public consultation period. However, local and international environmental groups and local scientists raised serious concerns about the *Installation Classée*.⁹⁵ Kanak authorities (through the *Sénat Coutumier*⁹⁶) and national and international environmentalists requested an independent scientific assessment of the *Installation Classée*.⁹⁷

Between April and July of 2002 the French government agency, INERIS (*Institut National de l'Environnement et des Risques*) reviewed Goro's *Installation Classée*, ostensibly on behalf of the New Caledonian and French governments. Recently it has been revealed that Inco, in fact, funded this supposedly independent review of its *Installation Classée*.⁹⁸ On August 10th INERIS presented its results in a press release.

The INERIS report⁹⁹ reveals, among other things, the following:

1. Inco has not made public key technical studies that are referred to but not included in the *Installation Classée*.
2. Lack of overall credibility of the impact assessment. According to the Southern Province Park Service, the assessment contains "unverifiable data" and is "lacking in impartiality".

3. Dams and Structures: There is insufficient data on the physical and chemical stability of waste storage structures and protective dams both under predicted and under catastrophic conditions.
4. Groundwater and Surface Water: There is insufficient data to adequately assess the possible chemical impacts of waste (in particular of sulfates, manganese, magnesium and organic pollutants) on groundwater; inadequate modeling and unrealistic predictions of water flows in the Kwe River; no monitoring programs detailed to protect the Kwe and ecologically vulnerable creeks; no water management program beyond the first five years of operation; insufficient information on the dry covers Inco plans to use to cover tailings impoundments.
5. Marine Impacts from Mine Effluent: Insufficient knowledge about existing marine currents in the area of the outfall of the effluent pipe. Insufficient standards by which to evaluate data on physical impacts from mine effluent (suspended particles, turbidity, ammonium concentrations) and data is not analyzed in relation to salinity of the water. Poor methodology makes chemical analysis of the impact of the effluent on seawater impossible and again impacts of relative salinity are not considered. There are concerns around speciation of Mercury, and toxic forms of Chromium (Chromium 6) and aluminum in the marine environment. *There is woefully inadequate and in some*

cases completely non-existing baseline data on flora, fauna and benthic organisms in the lagoon. Intertidal ecosystems were not investigated at all. Manganese from the effluent pipe is predicted to be at 100mg/l, which is 100 times higher than the currently allowable limit of 1mg/l (under the permit to operate the pilot plant). There is no detailed information on organic pollutants. Toxicity testing did not consider long-term exposure on a complex ecosystem. Modeling of the effluent plume from the pipe is also not appropriate.

6. Risk Assessments: Inco has not considered a range of risks including: sulfur fires; explosions related to sulfuric acid; leakage of toxic products such as SO₂ and SO₃; spills of toxic materials at the harbour. The means of prevention and protection are insufficiently detailed.

7. Impact on Terrestrial Ecosystem: Data on flora and fauna at the proposed mine site is completely

inadequate. There is insufficient baseline knowledge of flora at the site. No field studies were done on the terrestrial fauna at the site. There are critical and protected areas near the proposed mine site that are not addressed (North Forest, ecosystem of the doline, swamp areas of Plaine des Lacs).

There is no complete inventory of the species that are already being destroyed by the construction phase of the mine. There are rare and threatened species that will be affected by the mine. There are no bio-indicator species identified for monitoring purposes.



A delegation walking to the South Province building to deliver the demands of the Kanak people. (Collective for Defence and Control of the Prony Heritage)

INERIS compiled 38 recommendations to address these and other inadequacies in Goro's EIA. All appendices related to the INERIS report have not been made publicly available. There are significant areas of concern that INERIS did not address, such as impacts from coal fired power plants.¹⁰⁰

Of particular interest are the written comments in response to Inco's *Installation Classée* by the Parks and Territorial Reserves Services of the Southern Province.¹⁰¹ This document bluntly and repeatedly criticizes the *Installation Classée* for being "Incomplete, vague [approximatif], and lacking impartiality."¹⁰² Importantly, it highlights with much greater detail than the INERIS report the inadequacies of the terrestrial ecosystem characterizations in the *Installation Classée* by detailing "extremely rare and endangered" ecosystems and species that will be directly or indirectly affected by the mine and have been left off the maps in the *Installation Classée*.¹⁰³ In particular the Southern Park's comments discuss a reserve called "Forêt Nord," located just a couple of hundred meters from the mine site, which will be directly affected by the mine. This forest type is unique in the extreme south and contains 101 species of flora of which 95 are endemic. The Parks document notes that while the exceptional genetic nature of this area is undeniable, and references to its unique fauna are known worldwide, they are not included in Inco's permit application.

In response to these criticisms Inco is now funding fundamental research aimed at mapping the marine and terrestrial ecosystems in the Goro area by local scientists at IRD (Institut de Recherche pour le Développement). The work is about to begin. Inco did not stop ongoing construction, however, until December 5, 2002 due to cost overruns. *If Inco restarts construction before these ecological studies are completed (taking up to three years) there is a good chance that some species may be identified even as they are made extinct by construction, while others may never be charted, let alone protected.*

Conflict with Indigenous Kanak Efforts to Exercise their Authority:

In its September 18, 2002 Prospectus, Inco notes as a risk the "possible future independence of the French Overseas Territory of New Caledonia."¹⁰⁴ Greater Kanak political influence is expected at the time of independence. Inco's current bad relations with the indigenous Kanak do not bode well for the company.

On November 21, 2001, nine Kanak leaders, representing the entire Kanak population from Djubea Kapune, the region of Inco's proposed mine, presented Christian Paul, French Secretary of State for Overseas Territories, with a detailed petition outlining their concerns about the mine and their demands with respect to Inco's proposed project. Their concerns cover social, cultural, legal, technical, economic and environmental aspects of Inco's proposed mine. The Kanak leaders demanded a two year delay in the permitting of the mine so that a public inquiry into socio-cultural impacts could be conducted, and to allow enough time for an independent environmental review of Inco's proposal.¹⁰⁵

On March 6, 2002, the Sénat Coutumier provided formal written comments on Inco's EIA. Then-President Georges Mandaoue wrote "It is impossible to examine 1,800 pages with the rigor and serenity required in such a short period of time, and when the whole file presented does not even contain all the scientific and technical studies." The formal conclusion of the Sénat Coutumier was that the "Customary Senate of New Caledonia, as an autonomous Institution, CANNOT ACCEPT AND APPROVE THE GORO-NICKEL INDUSTRIAL PROJECT as it has been presented, particularly with regards to the protection of the environment and of the health of the inhabitants of New Caledonia."¹⁰⁶

On August 15, 2002, following the sudden granting to Inco of prospecting rights to Prony, an area adjacent to Inco's Goro concession, the National Council for Indigenous Peoples'

Rights of New Caledonia (CNDPA) used the occasion of the World Summit on Sustainable Development in Johannesburg, South Africa to launch an “Appeal for aid and international solidarity” that calls for the revocation of Inco’s Prony permit, the application of international environmental laws in New Caledonia, and the listing of the “marine ecosystems” on UNESCO’s World Heritage list.¹⁰⁷

On August 23, 2002, indigenous leaders from the Sénat Coutumier, Customary Councils, the National Council for the Rights of the Kanak Indigenous People and other Kanak organizations prepared a “Solemn Declaration by the Kanak Indigenous People affirming their right on space and the Natural Heritage of Kanaky (New Caledonia).¹⁰⁸ (See quote from this text at the top of this piece.)

Kanak landowners of the Prony area have started to build traditional houses, install families and plant trees on the Prony concession as a form of protest. Former government member and indigenous Kanak leader Raphael Mapou, was forced to resign from the territorial government over his vocal opposition to the granting of the Prony concession to Inco.

Lack of Consultation

In October of 2001, a delegation from Kanaky-New Caledonia¹⁰⁹ visited Canada to meet with Inco executives and government officials of Natural Resources Canada and the Department of Foreign Affairs and International Trade. They made it very clear that Inco had failed to consult with local NGOs and with the *Sénat Coutumier*. Then-president of the *Sénat Coutumier*, Georges Mandaoue, asked Inco executives why no one from Inco had ever asked to meet with the *Sénat Coutumier*.¹¹⁰

Inadequate Public Disclosure

Inco has thus far refused to publicly release the following critical information: 1) Bankable

Feasibility Study (completed in 2001), which contains information on Goro’s closure plans; 2) the technical studies referred to in the *Installation Classée*; 3) a complete copy of the INERIS review including all appendices (Inco paid for this study). Inco representatives have most recently been asked to supply these documents to the *Sénat Coutumier* in a meeting at the Senate in November. MiningWatch Canada has also sent a written request for these documents on November 11, 2002.¹¹¹ There has been no reply to date. *Kanaky-New Caledonians and Kanak leaders are being asked to endorse a project while critical information is being withheld from them.*

Inadequate Closure Funds

Lack of information on closure plans, reclamation estimates and bond amounts for Goro constitutes a risk for local communities and for the economy of Kanaky-New Caledonia. Of the estimated US\$315 million Inco expects to spend on closure world-wide, US\$290 million will be spent in Ontario, Canada alone.¹¹² *That does not leave sufficient funds for closure of Inco’s global operations leaving the people of Kanaky-New Caledonia at risk.*

Risky Technology

As Inco indicates in its September 18, 2002 Prospectus, Pressure Acid Leach (PAL) technology for extracting nickel is still experimental technology and *there is no guarantee it “will be successfully developed and applied on a commercial basis”*.¹¹³ Inco invested US\$50 million in a pilot plant that operated for 2 ½ years. This plant will need to be scaled up by 5000% for actual operations. Inco’s Alan Stubbs has admitted that no one can be sure how the process will work at that much larger scale.¹¹⁴ Three Australian mines using PAL have not been commercially successful. Each of the projects was worth \$1 billion-plus, and each was supposed to produce a pound of nickel as cheaply as 70 cents (U.S.) but the Australian PAL operations are having

serious technological and production difficulties and have yet to produce nickel at a profit, much less at 70 cents a pound.¹¹⁵

Dumping Mine Waste into World Heritage Protected Waters

Inco plans to pump mine effluent into the lagoon. According to the INERIS review of Inco's *Installation Classée* (see above) Inco has not adequately charted the environmental risks associated with this disposal. What is known, however, is that Inco will not be able to meet French limits for manganese and will require a 20-meter mixing zone in the sea for dilution.¹¹⁶ In January 2002, the French government, assisted by the *Sénat coutumier*, Action Biosphere and Corail Vivant proposed the nomination of the reefs surrounding Kanaky-New Caledonia for World Heritage status. This nomination proposal is currently being finalized by the *Sénat Coutumer* and national and international NGOs under the leadership of the *Sénat Coutumier*. There is broad international support for this nomination.

Political Unrest

In July 2002, Southern Province President Jacques Lafleur suddenly granted Inco a six-year exploration permit (PRA) for a massive concession called Prony adjacent to Inco's current Goro site. Inco says this new concession could provide an additional 180,000 tonnes of nickel per year (Goro is expected to produce 57,000 tonnes of nickel per year). Brewing unrest over Goro has now broken out in full-fledged protests against Inco's

exploration rights for Prony. In August a powerful coalition was formed in Kanaky-New Caledonia in protest of the granting of Prony to Inco. The Collective for Defence and Control of the Prony Heritage (CDCPH) is an umbrella organization that is made up of political parties of a wide range of political persuasions, trade unions, environmental groups, traditional landowners, feminist groups, human rights groups and indigenous organizations. On August 29th the Collective organized a massive protest march in the capital city of Noumea. At least 3000 people took part. The protest had three goals: 1) To petition the Southern Province to withdraw the Prony prospecting license from Inco; 2) To ask the new French government to finalize procedures requesting UNESCO to place New Caledonia's reefs on the World Heritage list; 3) To ask the territorial government to draft a bill on environmental protection. A petition with over 10,000 signatures was handed to Vice-President Pierre Bretegnier of the Southern Province. The pro-independence FLNKS party and the Union of Kanak and Exploited Workers (USTKE) both said the prospecting license was tantamount to giving away Kanaky-New Caledonia's mineral resources: "This is totally unacceptable and unjustifiable. This deprives New Caledonia of its mining resources."¹¹⁷ Additionally there is ongoing political unrest over more than 2000 Filipino workers Inco plans to import for the construction of Goro, over the percentage of ownership of Kanaky-New Caledonia in Goro and over the granting of contracts to foreign as opposed to Kanak companies.

Indonesia –Inco Nickel Mine

Inco's concession area in Indonesia covers three provinces on the island of Sulawesi. Inco's history in Indonesia includes a Contract of Work signed with a corrupt government, no proper community involvement or consultation, land alienation of indigenous and local communities, environmental degradation and several other impacts.

Introduction

Inco is currently seeking funding for an expansion project into Central Sulawesi, Indonesia, despite the company's poor track record in South Sulawesi and current protests from the local communities in Central Sulawesi.

PT International Nickel Indonesia, commonly known as PT Inco is owned 58.73% by the Canadian nickel mining company Inco Ltd.

Other shareholders in the project include Sumitomo Metal Mining Co. (20%), Tokyo Nickel Mining Company Ltd. (0.54%), Nissho-Iwa Ltd. (0.14%), Sumitomo Shoji Kiasha (0.14%), and Mitsui & Co. Ltd. (0.36%). The remaining 20% shares are publicly owned.

In 1968, Inco Ltd. signed a Contract of Work with the Indonesian government for 30 years. Inco Ltd. made many agreements with the corrupt and authoritarian Suharto regime for its mine, mill, infrastructure, dams, army support and control of indigenous people. PT Inco's current Contract of Work area is 218,528.99 hectares, covering the three provinces of South, Southeast and Central Sulawesi. PT Inco's plant is located in Soroako, South Sulawesi. Suharto was still at the helm in 1996 when PT

Inco's existing contract was extended 25 years.¹¹⁸

In 1975, the Larona hydroelectric dam with a capacity of 165 MW was built to meet the electricity needs of the PT Inco plant. PT Inco received exclusive rights to build and develop electricity-generating facilities along the Larona River. PT Inco's commercial production began in April 1978. PT Inco

produces matte nickel (78 %), which is exported to Japan for further purification, before being sent to stainless steel plants in Japan, South Korea, Taiwan and China. In 2001, PT Inco produced as much as 62,600 tons of nickel. This total was reached after PT Inco completed the expansion of its plant and constructed a

second hydroelectric dam, Balambano with a 93 MW capacity.¹¹⁹

PT Inco has reaped great profits from its operations in Sulawesi. PT Inco reportedly made its first profit in 1987, a total of US\$1 million. PT Inco's profits then skyrocketed to US\$174 million in 1988 and US\$182 million in 1989.¹²⁰ In the following years, PT Inco continued to turn handsome profits albeit not as large but still in the multi-million dollar range.¹²¹



Central Sulawesi communities protest against PT Inco in May 2001 (Andi Mizwar)

PT Inco is one of the most cost-efficient nickel producers. Inco Ltd. announced in the early nineties that it was shutting down several mines in Northern Ontario, Canada, to concentrate on its production in lower cost areas like Indonesia. One of PT Inco's cost saving measures was the building of the two hydroelectric dams that significantly cut their electricity costs. The second hydroelectric dam cut electricity costs in 1999 by 53 %.¹²²

PT Inco has received support from several international financial institutions. During the project construction in 1973, the Overseas Economic Cooperation Fund (OECF) provided project funds of US\$ 11,250,000. This project was also financed by the Bank of Montreal, the Toronto Dominion Bank, the BNS International (Hong Kong), Morgan Guaranty Trust, Crocker National Bank, Chemical Bank of New York, Banker's Trust Company, Asia Pacific Capital Corporation, Export Development Corporation (EDC) and the US Export-Import Bank.¹²³

In the 1970s, EDC lent up to \$60 million for PT Inco's massive open-pit nickel mine in Indonesia. The mine's first dam caused the flooding of rice fields, coconut groves, and a local mosque, leading local people to launch a lawsuit. It also disrupted the migratory patterns of eels, an abundant and important protein source for local people.¹²⁴

PT Inco's expansion project was funded by the EDC, and the Japan Export and Import Bank (JEXIM) from Japan. An agreement was signed on April 18, 1996, that secured \$580 million of ECA support in the form of loans and guarantees for a 50% expansion of PT Inco's operations. EDC provided a \$200

million loan with \$115 million being co-financed by North American banks. JEXIM provided a \$140 million loan.¹²⁵

PT Inco has failed to fulfill their obligations in their Contract of Work and Memorandum of Understanding. Local Parliament members in Central Sulawesi are demanding that the Governor of Central Sulawesi take firm action against PT Inco and demand payment of taxes or else stop the operations of the company.¹²⁶ Inco has threatened to take the Central Sulawesi government to international arbitration if the government impedes with their plans by canceling their contract.¹²⁷

Three Decades of PT Inco Nickel Mining Impacts

Since PT Inco's presence in the area, those communities surrounding PT Inco's operations have been negatively impacted in various ways. The following information is a summary of such impacts.



Central Sulawesi communities protest against PT Inco in front of local Parliament in May 2001 (YTM)

Land Alienation

Australian anthropologist Kathryn Robinson noted the occurrence of land alienation in Soroako between traditional inhabitants and their land because of road construction and land compensation issues.¹²⁸ Particularly with regards to compensation, negotiation took place only between PT Inco and

the government, without involvement from the landowners in the area. When PT Inco was building up the Soroako area, 200 farmers were coerced by the government into giving up their land at extremely low prices, about two cents (US \$0.02) per square meter.¹²⁹ Several farmers rejected this form of compensation but many were forced to accept it. Andi Baso AM, who is now the Chairman of the Soroako

Indigenous Union (Kerukanan Wawanua Asli Soroako, or KWAS), was among those who then rejected the offer. In an era of severe political constraint, Andi Baso was criticized as having committed anti-development acts and was detained in a police cell for eight days.¹³⁰

PT Inco's existence has also brought waves of people to Soroako from outside the area. Many of these immigrants [with more economic purchasing power than the local indigenous people] purchased large tracts of land from local people, furthering the problem of land alienation of locals.¹³¹

There are many unsettled land rights cases. PT Inco has threatened the survival of these indigenous communities. The Karonsi's ethnic group, which had been forced to flee their traditional homeland in Dongi Baru during unrest in the 1950s, returned in the 1970s to find that PT Inco was in control of their land and their cultivations had already been converted to a company golf course.¹³²

The construction of PT Inco's Larona and Balambano dams has also involved land conflict issues. In 1980, 95 families living along Lake Towuti took PT Inco to court in the South Sulawesi capital of Makassar to demand 750 million Rupiah in compensation for their mosques, rice fields, orchards and houses that were flooded due to the dam establishment. This case was eventually settled out of court, after PT Inco agreed to pay compensation and to help move the mosque to higher ground.¹³³ However, land compensation issues involving the dam remain unresolved. Community members demanding compensation for lost fruit trees and land complain that PT Inco goes through the government to avoid dealing directly with the communities.¹³⁴

Currently, PT Inco plans to expand its exploitation area into the Central Sulawesi province. PT Inco has already conducted exploration in Bahomotefe Village and in the transmigrant village of One Pute Jaya.¹³⁵

Soroako is a place of striking differences. Indigenous residents' houses in the Old Soroako Village are cramped and built on top of one another. Meanwhile, the houses of PT Inco staff are spacious and neatly arranged along a clean waterfront. Several indigenous residents have been forced to build their houses on top of the lake because of land shortages. In contrast, employee houses have wide front lawns. The roads in Old Soroako are unpaved, very different from the smooth paved roads in the employee-housing complex. Employees enjoy a free supply of electricity, while the Soroakan community must pay for their electricity. Arianto Sangaji, director of the Free Earth Foundation (YTM) wrote "PT Inco directors and government officials from Makassar or Jakarta sweat out a game of golf on a spacious nine-hole course. Meanwhile, from the corners of the golf course you can see farmers bathing in sweat from digging into their cramped farmlands to plant the season's crops."¹³⁶

Environmental Degradation

Air Pollution

Air pollution from PT Inco operations includes smoke, soot, particulate and gaseous sulfur and ore dust. Blankets of dust are suffocating the little vegetation that remains. Air quality has been deteriorating over the past few years. Soroako citizens need to replace the decaying roofs of their houses in a few years since PT Inco's operations in the area. Soroakan residents, particularly children, suffer continual bouts of flu, colds and asthma. It is a short distance from the PT Inco plant to the Soroako village and dust from the smokestacks easily spreads throughout areas where people live. According to Soroako residents, if you set clothes out to dry in the evening, there is a risk they will be covered with dust the next morning. The dust is also easily accessible into the homes in Soroako that are very open, which are very different from the houses of PT Inco employees that use air conditioners.¹³⁷

Land Degradation

The land surrounding the mine is riddled with test pits and bore holes and is barren. The land is former exploitation ground by the company that has yet to be adequately reclaimed or revegetated.¹³⁸ Furthermore, the land around the mine is also impacted by illegal logging activities that have been facilitated with the mine roads and a harbor built by PT Inco.

Matano Lake Ecosystem Destruction

The Matano Lake, a source of freshwater fish, has been destroyed as a result of heavy dust and smoke coming from the PT Inco plant, the dumping of raw sewage and wastes from houses built on top of the lake, land erosion and sedimentation run-off from bore holes. Test samples from places along the lake where Soroako residents bathe and do their wash indicate a level of E. Coli bacteria as high as 2,400 parts per million, Australian tolerable levels for E. Coli are set at 200 parts per million.¹³⁹

Larona River Ecosystem Destruction

PT Inco dammed the once beautiful Larona River in order to power its nickel smelter complex at Soroako. The Larona dam flooded rice fields, coconut plantations and a mosque belonging to villagers who lived around Lake Towuti. The Larona Dam also prevented the migration of native eels, a major food source for villagers. The second dam built on Larona caused a drastic increase in water level of the Larona River and caused nearby villages to be flooded.¹⁴⁰

Loss of Biodiversity

The tropical forest area in South Sulawesi is particularly significant because it is situated on the Wallacea line. Marsupial cuscuses, macaque monkeys, hornbills and cockatoos are just a few of the animals that can be seen in the trees of Sulawesi. The area is further significant as an area rich in endemic flora and fauna species.¹⁴¹ PT Inco is taking away the

habitats and polluting the environments of these species and therefore threatening the existence of these species.

Denial of Promises and Basic Human Rights

PT Inco has broken promises of free health care, education, electricity, clean water services and priority in employment. Access to clean water remains a prime goal for the Soroako



Soroako indigenous community were forced to build houses on top of Matano Lake due to land shortages after PT Inco began nickel mining operations in the area (YTM)

citizens while those employed by PT Inco, is relatively small and they tend to occupy low status positions. Of the original inhabitants of Soroako, 2,549 people, only 143 work at PT Inco. PT Inco employs approximately 3000 people. A few of the Soroako workers have been hired for clerical positions, but they often feel treated unfairly, as they have the same qualifications and more seniority but are often placed in positions below workers who have newly entered the company.¹⁴²

Local communities have protested the unfair labor practices and demanded that PT Inco give priority to local residents in the hiring, access to education and training, and permanent employee positions.¹⁴³ On August 20-21, 2002, the Wasoponda community of South Sulawesi blocked the roads used by PT Inco in protest of the discrimination that PT Inco has inflicted upon them. The community are

demanding that PT Inco give similar working opportunities for people in their community like that given to other communities and that PT Inco fulfill other obligations owed to the community like the distribution of community development funds.¹⁴⁴

Worker safety has also been a major issue at the PT Inco mine. In 1990, ten workers died after an accident occurred at one of PT Inco's nickel smelting plants (Marr, 1993). Ten years later, in 2000, Hamzah Baso, a PT Inco worker, was burned to death when the vehicle he was driving, used to dispose of the waste (slag), ran off its tracks and fell into the burning waste pile.¹⁴⁵

Health Deterioration

The community's health has deteriorated as a result of dust and smoke from the PT Inco plant. The residents, particularly the children suffer continual bouts of flu, colds and asthma. The company-run health center has dismissed their health problems.¹⁴⁶ Independent health studies including blood and other tests are urgently needed to determine the cause of the sicknesses.

Impacts on Women

Academic studies have shown that the workload of women in villages has become heavier with the existence of PT Inco. PT Inco has taken over lands and local natural resources once used to sustain the community's livelihood and thus the women of community are forced to work harder.¹⁴⁷

The roles of women have also changed to company wives or mining-town prostitutes. These practices are encouraged and promoted by mining companies like Inco. Another sad role for local women in Indonesian mining towns is the 'contract wife'. The contract wife's marriage normally lasts for as long as the worker is contracted to work in the area. More incidents of rape and other forms of violence against women and an increasing

incidence of teenage pregnancy have been reported.¹⁴⁸

Loss of Livelihoods

Residents of Soroako and the surrounding area are farmers who rely on the land to make their living, through planting rice and other crops, and from harvesting forest products such as rattan, resin and wood. PT Inco has left boreholes where cashew plantations once thrived while other agricultural crops have been destroyed. PT Inco has also rapidly and vastly destroyed forest resources and lucrative local trade items. PT Inco has also cut access



PT Inco plant in Soroako, South Sulawesi, Indonesia, spews out pollution in the air day and night. (YTM)

to the community to these resources and lands and thus to a livelihood.¹⁴⁹

Cultural Impacts

Soroako has become a mining town and the cultural landscape has changed with incidents of alcoholism, prostitution, rape and other forms of violence against women and an increasing incidence of teenage pregnancy.¹⁵⁰ The company has also managed to cover up the community's protests against the removal of ancestral graves in Soroako.¹⁵¹ Meanwhile, PT Inco expansion plans threaten to destroy the traditional (adat) system that the indigenous Bungku people live by.

Updates

The Soroako continue to struggle daily with the impacts of nickel mining in their area. Meanwhile, the Bahomotefe and One Pute Jaya community of Bungku have had their land staked for PT Inco's expanded contract of work area and many have already been relocated despite protests. PT Inco's expansion plan was approved without a public review process and without the publication of environmental and social impact assessments.¹⁵² There are numerous risks involved in the PT Inco expansion plan including political, social, and environmental risks. These risks have also made it a huge financial risk for funding agencies and recent local newspaper reports in Sulawesi state that PT Inco is struggling to secure finance for its expansion project in Central Sulawesi.¹⁵³

An action alert from the Mining Advocacy Network (JATAM) and Free Earth Foundation (YTM) on February 5, 2002 encouraged several international and local groups to write letters to the Indonesian President, government officials, Canadian embassy in Jakarta and

company officials calling for a renegotiation of PT Inco's Contract of Work in response to the One Pute Jaya and Bahomotefe community lands being staked for PT Inco's expanded contract of work area.¹⁵⁴ Despite the citizen's protests, PT Inco continues to go ahead with their expansion plans with no sincere regard to the community's concerns. Roger Moody wrote "PT Inco has already ripped some 50,000 tonnes of ore from Bahomotefe from what are euphemistically called 'test pits'. The unsuspecting traveler comes suddenly upon open bore holes, 4 metres square, plunging to depths of 30 metres."¹⁵⁵

In early May 2001, One Pute Jaya and Bahomotefe citizens as well as several non-governmental organizations held a demonstration in front of the Central Sulawesi Parliament building. At this time, the One Pute Jaya Declaration was read by the One Pute Jaya Village Head. The Declaration supported by the One Pute Jaya, Bahomotefe and Bahomoahi Village heads stated that these villages rejected the planned activities and existence of PT Inco in their villages.¹⁵⁶

Ecuador – OCP pipeline

In Ecuador's Amazon, there have been over 400,000 barrels of oil spilled, more than double the amount spilled by the Exxon Valdez. Communities living in the region now have the highest rates of cancer in the country due to chronic contamination.

Introduction

As Ecuador continues to fall deeper into economic crisis, the race to pump more oil to increase national revenues is intensifying. However, over the past 30 years, oil has been accompanied not by economic salvation, but by environmental and social devastation, alongside an ever-increasing debt. Once pristine rainforest, Sucumbios and Orellana are now the largest oil producing provinces in the country. In Ecuador's Amazon, there have been over 400,000 barrels of oil spilled, more than double the amount spilled by the Exxon Valdez.

Communities surrounding oil operations have the highest rates of cancer in the country due to three decades of chronic contamination of their rivers, ground water, soil, and air, while larger towns still lack basic health services and infrastructure such as sanitation and potable water. Now, a new 500 kilometre-long pipeline (known as the OCP (Oleoducto de Crudo Pesado)) is being built to transport heavy crude from the Amazon, over the Andes, to the Pacific Coast. It will double Ecuador's oil exports. The US\$1.1 billion pipeline is a project of a consortium of 6 foreign oil companies; at the helm is Calgary-based Encana, with the largest share of ownership in the pipeline at 31.4%.¹⁵⁷

The government plans to double oil production and privatize oil infrastructure in order to attract foreign investment through a program called Apertura 2000. The program was one of the main conditions of the government's structural adjustment agreements with the IMF for meeting the country's debt obligations, and is being treated as the principal means to alleviate Ecuador's debt-ridden economy¹⁵⁸. In order to double oil exports, another 2.5 million ha of previously undeveloped rainforest will be opened up for extraction of the heavy crude oil that lies within the subsurface of primarily indigenous territories.¹⁵⁹

Local Opposition

Local and international opposition to the construction of the OCP has been mounting for the past 3 years, including over 20 work stoppages and protests in affected populations of Ecuador. The selected route of the pipeline crosses 94 seismic fault lines and cuts through 11 protected ecological reserves. Among them is the Mindo Nambillo Protected Reserve, where 60% of the local population depends on eco-tourism to make a living. The pipeline is also routed through a protected park created as a result of Ecuador's requested funding of \$3.3 million from the Global Environmental Facility.¹⁶⁰



Local opposition demonstrates itself in a variety of ways. (Clive Shirley)

Increasing opposition to the OCP led to the declaration of a state of emergency last March in the Northern province of Sucumbios, resulting in the suspension of basic civil rights and exercise of maximum power by the military to break up demonstrations. The lack of democratic channels to address local concerns meant that protests expressed high levels of frustration and anger; conflict between demonstrators and police resulted in several arrests and the deaths of 3 protestors.¹⁶¹

Pipeline Project Violates World Bank Standards

An independent report released on September 13th, 2002, documents the ways in which the OCP fails to comply with the World Bank's policies on Environmental Assessment, Natural Habitats, Involuntary Resettlement and Indigenous Peoples. The report was written by Dr. Robert Goodland who, in his 25-year career with the World Bank, was the principal author of the World Bank's social and environmental safeguard policies and led the team that produced the World Bank's three-volume *Environmental Assessment Sourcebook* as well as about 20 other books.

The report finds substantial evidence regarding the use of fraud, deception, intimidation, violence and imprisonment by security officials paid by the pipeline consortium against local farmers, environmentalists and indigenous people opposed to the project. When over 200 affected peoples made complaints related to police brutality and intimidation of those opposed to the project, the government said it could not accept responsibility for the actions of the police because the pipeline consortium was paying them.¹⁶²

The World Bank has also expressed "profound concern" over the environmental impacts of the pipeline and has repeatedly requested that the OCP consortium stop claiming that it meets WB standards. The failure to meet the standards is particularly important because the oil companies' contract with the lead banks



(Clive Shirley)

requires them to comply with the World Bank's social and environmental policies.¹⁶³ Failure to do so would allow the major lending bank, WestLB of Germany, to terminate their loan, and they are under intense pressure to do so from its major shareholder. WestLB is 43% owned by the German state government of North Rhine Westphalia, where politicians, environmentalists and human rights activists have made the oil pipeline a major issue. WestLB has announced it intends to continue lending activity towards the OCP consortium.

Re-routed Revenues?

The new pipeline has been treated as the principal mechanism by which Ecuador will increase national revenues, and be in a position to alleviate the country's endemic poverty. While the government was aware that, as having no ownership of the pipeline, it would lose out on revenues from oil transportation fees, it felt that foreign investment and tax payments would more than compensate for this.

However, private oil companies are presently embroiled in a dispute with the Ecuadorian government over a tax issue, and are threatening to hold back on investments until the matter is settled. Encana alone is fighting for \$70 million from the government that is a rebate on Value Added Tax charged for shipping oil to port they claim they are entitled to. Despite threats from the companies to settle this issue in WTO courts, the government is

showing no sign of conceding, and may even end up counter-suing the companies for their accused failure to pay for significant shipping fees in the state pipeline.¹⁶⁴

Heralded to raise Ecuador's low employment rate, pipeline proponents claimed the project would generate over 50,000 jobs. To date, only 3000 jobs have been created, and a leading Ecuadorian economist estimates that only 300 permanent jobs will remain.¹⁶⁵ A reality that has not been adequately considered is the displacement of jobs that will occur as a result of the pipeline's construction, namely in the eco-tourism sector. Eco-tourism provides 60% of the population near the Mindo Nambillo Cloud Forest with employment, where the pipeline is being routed through, to the certain detriment of this ecologically and socially sustainable form of development.

As Ecuador's debt reaches over US\$16 billion, oil is time and again, relied upon to provide the revenues necessary for debt payments. However, as history has demonstrated, the more Ecuador invests in oil, the more indebted it becomes. Collectively, debt payments, poor investment decisions, lack of transparency, and corruption within the government have meant that very little of the Ecuador's oil revenues are experienced by its inhabitants, and especially the poor.

The Ecuadorian government has been pursuing a conditional US\$240 million stand-by loan from the IMF, which the IMF says it will not grant

until after the national elections that took place on November 24th, 2002.¹⁶⁶ In discussions over the stand-by loan, the allocation of new revenues created by the expected doubling of Ecuador's oil exports has very much been an area of focus. The Fiscal Law, which addresses the allocation of new revenues, was passed in August 2002; as a result, 70% of the new source of revenue will go towards repaying the country's debt. Another 20% will be channeled towards a stabilization fund (in case of oil price fluctuations), with the last 10% going towards social programs, health, and education.¹⁶⁷ The new President of Ecuador, Lucio Guiterrez, says he will strive hard towards securing the IMF's stand-by loan.

Ecuador's reliance on foreign borrowing has deepened due to the oil industry, as its development has depended on foreign capital and technology. A vicious cycle of borrowing, indebtedness, and ensuing intensified extraction of oil has held Ecuador hostage to the influences of international financial institutions, multi-national companies, and the fluxes of the international market.

The Canadian Connection

Calgary-based Encana is the largest foreign investor in the Ecuadorian oil fields, with 31.4% ownership. Their Ecuadorian operations include oil exploitation as well as construction on the new pipeline. Much of the conflict generated over the OCP has been directed at Encana due to its position as the pipeline's lead investor.

Encana has gained a reputation for environmental contamination and social disruption in Ecuador. One of Encana's concession blocks that is presently producing oil is located near and inside the Cuyabeno Nature Reserve. Soil tests conducted by the Ecuadorian environmental organization, Accion Ecologica, reveal high levels of contamination, and toxic fluids that are a by-product of oil drilling are discharged on a frequent basis. Encana is drilling in the



An Ecuadorian woman expresses her opposition to the pipeline (Clive Shirley)

Cuyabeno Nature Reserve. Under Ecuadorian legislation, oil activities that can have harmful environmental impacts are illegal in protected areas.

In 2001, Q'Max Solutions Inc., a Canadian drilling fluids company, was granted Cdn\$1-10,000,000 credit insurance from EDC for equipment for the treatment of drillings fluids.¹⁶⁸ Q'Max Solutions' operations were in two oil concession known as the Tarapoa Block and Block 27, which had been under the operation of Alberta Energy until its merger into Encana, who then acquired the rights. These two blocks have been notorious for causing some of the worst current

environmental contamination in the Northern Amazon.

The Q'Max Solutions operation was one of 23 projects reviewed by the Auditor General of Canada as part of a study of the EDC's Environmental Review Framework. Due to the agreement between the EDC and the companies they finance, the EDC is not at liberty to divulge information to third parties, and in this particular case, Q'Max Solutions did not permit the review to be publicly available.¹⁶⁹

Romania - Rosia Montana Gold and Silver Mine

*Rosia Montana was the first gold-producing province of the Roman Empire. Unique archaeological relics of ancient Roman mining techniques have been completely preserved there. Several temples, a mausoleum, mine galleries and baths, were uncovered recently. This area, which is a unique witness of Illyric-Roman culture, is threatened by this mine.*¹⁷⁰

Introduction

Toronto-based Gabriel Resources (GR), a junior mining company with no previous mining experience, plans to develop a large area of Romania's Apuseni mountains (4282ha)¹⁷¹ that eventually will become Europe's largest open cast gold mining project.¹⁷²

Over the next 17 years, the mine will transform the hills and valleys of this region of Transylvania into a strip of four pit mines, destroying in its wake a site rich in archeological significance, tearing down over 900 homes, and resettling over 2000 people,¹⁷³ 8 churches and their cemeteries.¹⁷⁴ In its place, the mine will deposit rock waste, acid rock, and tailings in the valley.

Opposition to the mine comes from a broad array of church groups, a coalition of local and international NGOs, environmental groups, academics and archeologists. Despite this opposition, and the fact that the World Bank signaled it would not consider financing this the mine, Gabriel Resources are still staged to go ahead with the project.

The Project

In 1997, Gabriel Resources (80%) collaborated with Romania's state mining company, Minvest S.A. (19.3%), and three other Romanian companies (0.7%), in a joint venture to form Euro Gold¹⁷⁵. In 1999, Euro Gold changed into Rosia Montana Gold Corporation (RMGC), and the new company became the titleholder of the exploitation concession with

Minvest listed as the affiliate company.¹⁷⁶

Under the agreement, GR will deliver the base capital while RMGC carries out all exploration. Meanwhile, Minvest is responsible for the liabilities associated with its current mining operations. Finally, the Romanian government will receive a 2% gross production royalty.

The base cost of the project is expected to range between US\$350 and US\$ 400 million¹⁷⁷. Although roughly US\$ 60 million has to date been raised through commercial loans and on the stock exchange,¹⁷⁸



One of the churches that will be destroyed (Greenpeace)

approximately US\$250 million is needed to commence construction. With this in mind, GR approached the International Finance Corporation (IFC), the World Bank's private lending arm, for a US\$250 million loan.

In October 2002, the IFC announced it would not back the project.¹⁷⁹ According to IFC's spokesperson, Corrie Shanahan, "there were significant environmental and social issues connected with the project."¹⁸⁰ GR has been unable to interest any major mining companies in the venture.¹⁸¹ Regardless of the small proportion of base capital raised, GR is poised to start construction by September 2003.

Interest in the mine likely stems from the very large reserve of gold (225.7 million tons of ore, and 10.5 million ounces of gold) the Rosia Montana mine contains. Nevertheless, the deposit is a very low grade of ore (1.4 grams per ton of gold and 7.5 grams of silver)¹⁸². For example, the Tambogrande mine (also noted in this publication), has reserves of 3 grams of gold per ton, and over 50 grams of silver.¹⁸³ According to David Chambers, of the Center for Science in Public Participation, the cut-off grade to profitably exploit these reserves is 1.2g/t, which is the practical lower limit for economically processing gold¹⁸⁴. This means that the mine is extremely sensitive to market fluctuations; and thus could close prematurely, with a drop in the price of gold.

Environmental, Social and Cultural Impacts

Environmental impacts

To date, the company has not yet filed an Environmental Impact Assessment with the Romanian government, having only formally started the Environmental and Social Impact Assessment in October 2002.¹⁸⁵ Nevertheless, a number of potentially detrimental environmental impacts are known due to the nature of the mine. These include a loss of biodiversity, clear cutting of forests, greater risk of mudslides and flash floods; or more

notable concern is the dangers linked to acid mine drainage, cyanide processing, and seepage into the water table.

Acid mine drainage

Acid mine drainage occurs when sulfide minerals, contained in the rock waste, are exposed to air and water; these then break down and form a weak hydrosulfuric acid.¹⁸⁶ Although GR claims that it will cleanup the acid mine drainage caused by the existing state mine, it is almost impossible to stop once the problem has begun.¹⁸⁷ Minimising acid mine drainage will require expensive treatment for many years after mine closure. This is applicable to both the current Minvest state mine and RMGC's project. However, RCMG have not included costs for water treatment in their feasibility study, which can potentially leave the Romanian government to pick up the expenses.¹⁸⁸ According to Dr. Robert E. Morgan "acid drainage has continued for hundreds of years at sites originally mined" and that one needs "to begin thinking of mining waste management in the same way that we think about the risks posed by radioactive waste."¹⁸⁹

Cyanide Processing

According to the mining company, the site will first need to be cleared of all timber, and the pit then has to be excavated by blasting and drilling it open. The only way to then treat the crushed ore to recover the gold and silver will be through the cyanide leaching method.¹⁹⁰ The project will utilise approximately 15.6 million kg of cyanide per year¹⁹¹. Corna, a valley adjacent to Rosia Montana, is projected to be turned into a vast tailings 'pond' with a storage capacity for 250 million tons of tailings held by an earth dam reaching a final height of approximately 185 meters¹⁹². Currently, Corna is a lush valley inhabited by roughly 400 people who derive their livelihood from farming in the valley.

Although cyanide is commonly used to recover

precious metals, great care must be taken in its transportation, storage, use and treatment. Cyanide processing also makes toxic by-products which take a long time to degrade, their discharge is often poorly monitored, and the impact of these breakdown compounds is still uncertain¹⁹³ The level of cyanide predicted in the Rosia Montana Feasibility Study is high enough to cause bird and wildlife mortalities¹⁹⁴. Although the project planners have analyzed the methods and costs of treating the cyanide to a level where wildlife mortalities can be eliminated, they have not programmed these costs into the operation at present.¹⁹⁵

Accidents have occurred frequently with cyanide use, and Romania is certainly no exception. In January 2000, there was a devastating spill at Baia Mare of an estimated 100,000 cubic meters of cyanide and metals-laden wastewater at a Romanian gold-processing plant that poured for two days into the Tisza river, a tributary of the Danube.¹⁹⁶ An estimated 150 tons of dead fish were found along the length of the river¹⁹⁷, and the spill contaminated the drinking water of an estimated 2 million people.¹⁹⁸ The Hungarian government has filed an AU\$181 million legal claim against Esmeralda exploration for the spill¹⁹⁹. In fact, the same consultant, Knight-Piésold, that designed the tailing dam for Baia Mare, are now employed by RMCG.

Resettlement

Members of all directly affected communities have voiced serious concerns over the mining project and resettlement in particular. Alburnus Maior²⁰⁰ is an NGO based in Rosia Montana. It represents the interests of roughly 300 family farms, all of which oppose RMGC's project. Alburnus Maior's main aim has been to campaign for a regional referendum. In April 2002, RMGC launched its resettlement program²⁰¹, negotiating compensation packages with those affected. This has occurred in the absence of the pre-requisite public consultation and Environmental Impact Assessment (EIA).

Instead the company claims to be applying 'occidental standards' of relocation; namely the World Bank 'Involuntary Resettlement' directive. The choice given to those having to move is either monetary compensation or a new home.

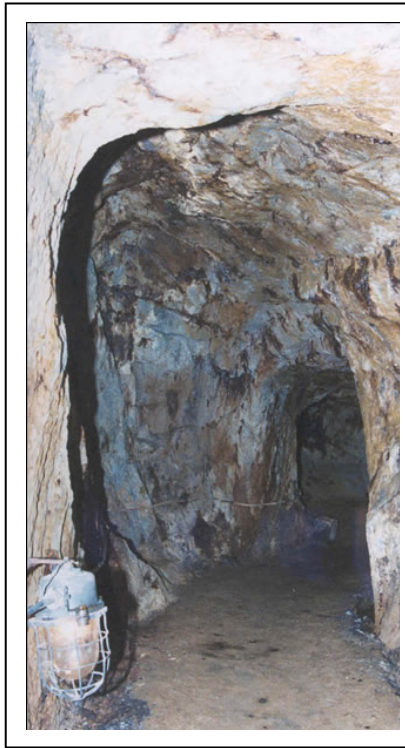
In April 2002 RMGC announced a four-day public consultation, but this was rescheduled to June following local demonstrations against the project. In interviews with locals, Stephanie Roth of CEE Bankwatch, established that by May 2002 some of the first houses were sold by locals to RMGC, who figured they should take the money since staying was not a viable option.²⁰² Meanwhile, house prices and living costs have significantly increased and the frenzy for money has brought feuds amongst family members and divided the community. There have also been tensions in villages between the 'indigenous' population and people from Rosia Montana resettling there.

As Rosia Montana is a mountainous region, enhancing the productivity of the land takes years. Resettled farmers are unlikely to receive similar quality of land.²⁰³ In fact, "Evidence has shown that restoration of livelihoods is one of the primary failures of involuntary displacement".²⁰⁴ During operation the mine will employ a workforce of 250 and 500 people – most of whom will come from those laid-off in the closure of the state mining company.²⁰⁵

Cultural

Rosia Montana is Romania's oldest documented settlement and the area is a treasure of important archaeological remains dating from Dacio-Roman and Roman times. The Annual Archeological Research Report of Romania 2001 (no. 181-190) catalogues temples, and other sacred areas, an edifice with a hypocaust and necropolis, a castellum and extensive mine galleries in the area. Given this, RMCG has been required to conduct various archaeological excavations in all the area impacted by the project in order to get the necessary permits.²⁰⁶ It is now applying for an

archeological discharge certificate through the National Archeological Committee, with a decision expected in mid December to cover the area they intend to mine. CEE Bankwatch has collected over 600 names of archeologists who are opposed to the mine, and the International Council on Monuments and Sites passed a resolution on December 5, 2002,



The main Roman gallery in Orlea region.
(Alburnus Maior)

strongly urging all interested parties to “do all they can to prevent the destruction of this important archeological site” (article 20).

Finally, an expert opinion commissioned by Greenpeace Austria, found that the project contradicts not only European Union environmental legislation, but also the basic principles and standards of the European Convention for the Protection of Human Rights and Fundamental Freedoms.²⁰⁷

Peru – Tambogrande Gold, Silver, Copper and Zinc mine

Despite overwhelming opposition by the inhabitants of Tambogrande to the development of an open-cast gold mine by Vancouver-based Manhattan Minerals Corporation, the project remains on track to proceed.²⁰⁸

Introduction

The Tambogrande area of Peru was once a sparsely populated and almost desert region. Between 1949 and 1959, an irrigation project, financed in part by the Peruvian government and the World Bank, led to the development of agriculture and brought about significant population growth in the valley. Limes, mangos, rice, carob, and other foodstuffs for local and national consumption and for export are produced there. Today, the region supplies 40% of the national production of limes and mangos. Furthermore, it contributes close to US\$150 million dollars in revenues for the national economy through the export of limes and mangos alone.²⁰⁹ This constitutes a significant portion of the US\$280 million of agricultural goods the country exported in 1999. Most of the active population of the district of Tambogrande is employed directly or indirectly in agricultural activities.

In November 1998, the Manhattan Minerals Corp. participated in a trade mission to Peru organized by Canada's Department of Natural Resources. Six months later, it obtained the mining concessions in Tambogrande. Manhattan Minerals Corporation (MMC), was granted mining concessions and exploration rights to over 10,000 hectares of land in the district of Tambogrande.

Opposition to mining, which has been present in the region since agriculture has taken root as the economic base of the region, mounted. Opposition to the proposed mine was most definitively expressed on June 2, 2002 with 73 per cent of registered voters participating in a referendum on the mine. To the question of whether the economic base of the region

should shift from agriculture to mining, 98.65% of voters said no.

The Proposed Mine

MMC is a Vancouver-based junior mining company that has been present in Peru since 1993, and brings with it the operational experience of only one previous mine in Mexico. The concession that the company was granted, was one of a series of concessions granted in the 1990s to over 15 foreign companies as part of former Peruvian President Alberto Fujimori's plans to expand investment in the country and the privatization of its mining industry. MMC signed an option agreement with the government in 1999, in which it would earn a 75% interest in the mineral concessions, while the state owned Centromin (formerly Minero Peru) held the remaining 25%.

Following exploratory drillings in 1999, MMC found significant gold deposits under part of the town, and at one kilometer and thirteen kilometers south of the city. According to MMC's records, they expect to be able to extract 3 grams per tonne of gold and over 50 grams per tonne of silver - 0.5 grams per tonne is the standard cut-off point.²¹⁰ The mine is expected to produce 260,000 ounces of gold and 3.2 million ounces of silver per year, as well as substantial quantities of copper and zinc.²¹¹ The mine will operate for up to 17 years.

To develop the mine, MMC intends to make 750 hectares of the area into an open-cast mine, divert the Piura river, build an ore processing plan and a mine tailings pond²¹².

Opposition to the Mine

Although the area was in fact declared a national reserve for mining development twenty years prior to MMC's involvement,²¹³ local opposition at the time impeded the government's plans to try and bolster the economy through developing its mining industry. Clearly, these sentiments still ran deep. Soon after the exploratory drilling began in 1999, a number of citizens from across the ten zones of the Tambogrande district began mobilizing their opposition to the mine under the leadership of a grassroots organization, the Tambogrande Defence Front (*Frente de Defensa del Valle de San Lorenzo y Tambogrande*). Demonstrations and opposition to the mine were initially expressed at company meetings and activities, and then spread from the district, through the department, to the capital and beyond. The Defence Front has most notably been supported by a number of well-respected social and non-governmental Peruvian organizations (NGOs) as well as international NGOs, including Oxfam UK and America.

The Front, along with these groups, opposes the building of the mine for a number of reasons.

Loss of jobs

While MMC has argued that the mine will bring an important number of jobs to the region, these projections are unlikely to bring a net gain in employment to the local population. This is because MMC's figures fail to account for how the agricultural industry will be affected by the mine. Nor do the numbers reflect all the jobs that may be lost due to the potential detrimental environmental impacts the mine could bring to the region²¹⁴.

MMC have already committed close to US\$1.5 million in funds to socio-economic projects. However, compared with other projects in Peru, this represents a relatively small commitment to short-term needs, rather than a more substantial investment in the long-term

socio-economic livelihood of the region. For example, at Peru's largest mine, Antamina,²¹⁵ US\$6.3 million has been committed to local development over a period of three years.²¹⁶

Even if such substantial financial commitment were forthcoming in the region, residents are also disturbed by the potential emergence of serious social problems that have surfaced in many of the other mining zones in Peru.²¹⁷

Resettlement

The mining process is expected to require the relocation of approximately 8000 residents from the town, and the purchase of 540 hectares of land that is currently being used for agricultural use.²¹⁸ MMC has also proposed a compensation program that includes the construction of residential buildings for the relocated population, and investments in the socio-economic development of the region, including the post-mining phase.

In an effort to address concerns about relocation, MMC built six demonstration houses in the fall of 2000 to showcase the new accommodations to their future inhabitants. These, however, were burnt down in February 2001, by unidentified individuals. The company still plans on going ahead with building 1786 new homes for relocated residents, and build a new town for residents with a new health center, municipal offices, police station, hotel, post office, library, theatre and museum.²¹⁹ Investment in local infrastructure and socio-economic programs have amounted to almost US\$1.46 million²²⁰, including supporting adult literacy programs, constructing wells, roads and health clinics, and funding various training, trade, school and pre-university schemes²²¹.

Efforts to inform the public about the impact of the mine, its investments in the community and its plans for relocation have ranged from monthly Newsletters, workshops, and letters to the editors of local papers, to public hearings and trips to other mines.²²²

The company also intends to counterbalance the loss of agricultural land to the mine with a number of concessions. These include US\$230 million in tax revenues and royalty payments to the government²²³, 350 permanent jobs during the mine's existence, and 1230 temporary jobs during the construction of the mine.²²⁴

Environment

Given the region's current dependence on the land for much of their livelihood, the risk of contamination from tailings and other waste, acid run-off, and cyanide use, must be of grave concern to many of Tambogrande's residents. Mines not only cut short the life of current agricultural land, but also potential future land use. Mr. Moran's evaluation of MMC's preliminary feasibility study,²²⁵ demonstrated that the mine could not only cause a reduction in the levels of surface and underground water necessary for agriculture, but also potentially contaminate this ground water through acid runoff. In the age of El Niño, which generates torrential rains in the region every three or four years, the risk of an ecological disaster is also not out of the question. In this context, the location of the mine tailings seems somewhat inconsequential, as it could have a potentially negative impact regardless.²²⁶ Despite these concerns, in the information they have released on their web site, MMC have stated that "no residual environmental impact is expected as a result of mine construction or town resettlement."²²⁷ MMC only released its EIA to the Peruvian government on December 9, 2002, weeks before this publication went to print.

EIAs are required by Peruvian law before the mine can move into the operational phase. Based on the EIA, and the recommendations of the National Institute of Natural Resources (INRENA), the Peruvian Department of Energy and Mines (MEM) then has 45 days to approve the project. Social impact assessments are suggested, but are not mandatory. Public hearings are then held by MEM, with a summary of the EIA distributed to interested

citizens and groups. The latter can express their views on it at the hearing or by writing to the MEM within two weeks after the hearing. Nevertheless, EIAs have rarely been rejected.

Failing to meet commitments and respond to consensus

Under Peruvian law, MMC are required to meet a number of other conditions to secure mining rights. In interviews conducted by Rights & Democracy with the Deputy Minister of Mines, it was made clear that the community's consent was a precondition of mine approval.²²⁸

However, the Tambogrande's Municipal Council did not reach any agreement with MMC prior to the company beginning their explorations.²²⁹ While the mayor did finally give his permission to the company to begin exploratory drilling in the urban area in the fall of 1999, he was reproached by members of the Defence Front (who had recently formed), and by early 2001 he had rescinded his offer.²³⁰ Instead, he gathered 28,000 signatures from citizens demanding the cessation of activities and the departure of MMC.²³¹ Following a demonstration, a clash with local police, and damage to MMC property, the company decided to leave the district. Efforts to defame the front were unsuccessful, and they instead won the group further support.

In the fall of 2001, the municipality decided to hold a district-wide consultation with the people of Tambogrande to determine whether they supported the mine or not. The government, through its newly established Ombudsman office, attempted to mediate an agreement. The proposals the government put forth through the Ombudsman's office did clarify a number of MMC's consultative obligations, but they also made it clear that any municipal election carried no official status. The Front withdrew from the negotiations and the municipal authorities proceeded with its plans.

An independent electoral committee was established to conduct the referendum, and a number of national and international observers were called in to ensure a free and fair consultative procedures. An overwhelming majority (98.65%) voted against the mine.²³²

Since the full EIA had not yet been completed, and the voters were unable to make their decision based on full information, the Peruvian government discounted the result. The EIA was finally presented by MMC to the Peruvian government on December 9, 2002.²³³

The government has committed to a review of the EIA by an independent auditor.

Plans are therefore proceeding with the mine. This however is despite the fact that the Past-President of Manhattan Minerals, Graham Clow, repeatedly stated that the mine would not go through if the people did not want it. The Peruvian Minister of Energy also stated that “if the people do not accept it, it will not be done”.²³⁴

Appendix 1: Correspondence from EDC to the NGO Working Group on disclosure

From: [REDACTED]@edc.ca>
To: 'WG Coordinator' <ecas@halifaxinitiative.org>
Subject: RE: projects in Chile (Alumysa)
Date: Mon, 7 Jan 2002 09:27:34 -0400

Pam,

I am sending this reply in response to an enquiry Emilie Revil had made some weeks ago regarding a project called Alumysa in Chile. The other questions raised in her e-mail message were answered separately.

EDC's obligations of confidentiality to its clients prevent it from discussing transactions, proposed transactions and rejected transactions. As you are aware, EDC does, however, have a disclosure policy which provides, among other things, for the release of information on individual transactions, and EDC is committed to obtaining the necessary consents from clients to enable it to make disclosure in accordance with the terms of that policy.

We suggest that you periodically consult the disclosure area of our website for the posting of information on individual transactions. Our website is a rich source of transaction-based information and will, over time, develop into an extensive database.

If you are aware of any concerns that your consortium members or others may have about this or any other project, we are open to receiving your comments. Alternatively, you may wish to refer us to those you feel might have helpful information.

Sincerely,

[REDACTED]

Appendix 2: Critiques of EDC's environmental policies and recommendations by the Working Group

March 1, 2002

Comments on Export Development Canada's Environmental Review Directive

The NGO Working Group on the EDC (WG) is a coalition of Canadian non-governmental organizations concerned about the social, human, and environmental impacts of export credit agencies. The Working Group promotes adherence by export credit agencies, especially Export Development Canada (EDC), to internationally accepted standards regarding human rights, the environment, and sustainable development. The Working Group is hosted by the Halifax Initiative Coalition.

EDC is a public financial institution that enables Canadian companies to be involved in activities abroad that can have serious, negative impacts on local communities and the environment. EDC should therefore have an environmental directive that requires companies seeking its support to avoid, or if impossible, minimize these impacts. EDC's environmental policy should also be clear, for its clients and the public, in regards to when the environmental or social damage is too great to justify extending public support. EDC's new Environmental Review Directive has resulted from three years of review, analysis, research and comparison. It should at minimum, match or better the best environmental standards for trade financing. EDC's new environmental directive fails in all of these regards.

Our comments make a series of recommendations. If adopted, these recommendations would provide the kind of methodological clarity that is required if local communities and the environment are to be protected from publicly-supported Canadian corporate activity abroad. We also raise concerns about the comment period itself, as EDC has made no commitment to take these comments into consideration.

The Working Group questions the process by which EDC released its Environmental Review Directive (ERD). Although EDC claims that a final version of its ERD had to be released concurrently with the proclamation of the Export Development Act on December 21, 2001, it was under no legal obligation to do so. The urgency to release this document for the first time in its final version is, therefore, highly debatable. While EDC has claimed the ERD is "evergreen", public input into corporate policy related to public interest is crucial and has been overlooked by this process. We are concerned about the poor process, and urge EDC to commit to revising the ERD based on feedback received over this 60-day comment period.

The ERD is written in such a way that if EDC chose to, it could continue "business as usual". It gives EDC maximum discretion to enter into support for a project, irrespective of the environmental implications. It is written in such flexible language that it gives EDC ultimate discretion. In essence, it provides a framework by which EDC can justify any action, *except the rejection of a project for environmental or social impact*.

While EDC has stated the importance of considering environmental effects of projects that it supports, the ERD does not lay out a methodology for environmental decision-making that indicates EDC's commitment to avoiding or if impossible, minimizing impact. The ERD does not use clear language, nor does it use common, internationally accepted standards. Below, we provide a section-by-section analysis of EDC's ERD.

Scope

"...a repayment term or coverage period of two years or more and a value of more than SDR 10 million and that is related to a project."

The WG rejects the application of financial thresholds for the ERD. Environmental impact should trigger environmental assessment, not financial values or coverage periods. The WG would like to reiterate the Auditor General's argument that transactions should be exempted only if no known or potential environmental and social impacts exist. Another possible impact of thresholds could be contract-splitting in order to avoid assessment procedures.

"A transaction is related to a project if, in EDC's opinion, it is: (i) in respect of goods or services purchased or to be purchased (or with respect to which rights of use are otherwise acquired), by a project sponsor, project company or other entity with prime responsibility for project design, development and construction, for use in a particular identified project;..."

In order to ensure that all transactions fall within the scope of the directive, the WG strongly urges the removal of the word "prime" from "prime responsibility".

Categorization

"EDC reserves the right to re-categorize any project."

This discretion makes a mockery of international categorization standards. Categorization is used as a screening technique to give assurances that projects with known or potential adverse impacts go through more rigorous assessment and disclosure processes. It ensures accountability to the public and clarity to industry.

EDC should not be allowed flexibility to downgrade transactions within the categorization system.

Category A

"The environmental assessment for a Category A project will normally be in the form of an environmental impact assessment...but may be comprised of elements other than EA instruments..."

The ERD must make explicit ONE standard methodology. The World Bank standards should be adopted. Also, as the minimum, EDC's ERD should use best industry practice as its starting point for assessment. Many Canadian companies involved in Category A projects are familiar with World Bank standards. As stated in the ERD, Category A are "likely to have significant adverse

environmental effects that are sensitive, diverse, or unprecedented”. Since these effects are significant, EDC has the responsibility to give a rigorous environmental impact assessment. This suggestion concurs with the Auditor General’s May 2001 recommendation: “The Corporation should adopt screening criteria and methodology similar to those used by other international financial institutions such as the World Bank Group’s International Finance Corporation and Australia’s Export Finance and Insurance Corporation”. In a backgrounder to a news release dated June 26, 2001, Minister Pettigrew states: “The framework should clearly identify the environmental standards that EDC will apply in conducting environmental reviews. Particular attention should be paid to the highly developed and widely utilized guidance provided by the World Banks Group”.

There is an enormous gap between ISO 14000 for example, and IFC safeguard policies. By listing such disparate standards, EDC fails to increase accountability or clarity.

“EDC expects that for each Category A project public consultations with affected parties, if any, will be held in the host country...”

The Working Group commends EDC’s recognition of the importance to consult with communities in the host country that will be affected by the project. We urge the EDC to change the wording from “expects” to “requires” in order to reflect this importance.

Public consultations are intricately linked to the level of transparency and disclosure of information related to the project. Yet EDC does not require the early release of environmental and social information and it exempts any release of this information unless the Canadian client is a significant project sponsor. The loophole of requiring release only for significant project sponsors should be removed from EDC’s disclosure policy.

Public consultations that take place with information asymmetries are not genuine. EDC should therefore require its clients to notify all affected parties and release to them all relevant information as early as possible through a medium and in a language which they can understand.

EDC should also require clients to release environmental and social information to the public 120 days in advance of approval and without exception for Category A projects. In addition to locally-affected parties participating in the process, the Working Group concurs with the World Bank’s definition as the “public” being anybody who is interested. The WG would also underline that projects impact on the global environment and on global public goods. To this end, review of the EIA should not be limited to local communities.

EDC should also state in its ERD that the application will not be considered if the client does not comply with these requirements.

The Overseas Private Investment Corporation (OPIC) from the United States, recognizes the importance of meaningful consultation at the host country level:

Host country as well as international non-governmental organizations often have access to information and perceptions about potential environmental impacts and resulting social, economic, and cultural impacts that need to be carefully considered as early as possible in the assessment process. OPIC agrees with the IFC’s observation that “calling attention to environmental and related social issues early in the process and by involving stakeholders in meaningful consultations, helps avoid costs and delays in project implementation and reduces the need for project conditionality to

the extent that the appropriate measures are incorporated into project design”. (OPIC Environmental Handbook, Public Consultation and Disclosure Section, <http://www.opic.gov/subdocs/public/publications>)

OPIC’s policy provides the public with a full opportunity to comment on all Category A projects before making a final commitment to these projects, and requires that information be made available to locally affected people in a medium and language that they understand, in addition to notification of host country government officials. With respect to disclosure, the policy requires that applicants for OPIC assistance for Category A projects submit EA information in a form that can be shared with the public. If the applicant does not agree to the release of the EA, then OPIC will not proceed with consideration of the application.

Environmental Review Information Requirements

“Where a project is located in either of Canada or the United States of America and EDC receives confirmation that the project has been designed in compliance with host country environmental requirements, EDC may determine that it requires no additional environmental information in respect of the project beyond that required for categorization”.

The environmental impact assessment process should be applied to ANY Category A project, irrespective of the location.

Category A

“If the environmental assessment for a Category A project has been completed by an employee(s) of the project sponsor or project company, or an employee(s) affiliate thereof, EDC will require, prior to the time it enters into a transaction related to the project, that independent expertise acceptable to EDC be engaged to review such environmental assessment for potentially significant problems of the analysis.

The Working Group agrees with EDC that independence is crucial in the environmental assessment process. We would, however, underline the importance that a third party carry out the initial environmental assessment, in order for it to be valid, specifically for Category A projects. Independence in the assessment process is a standard requirement in good EIA.

Evaluation and Decision

“In conducting its environmental review, EDC will use, as reference points or benchmarks, the international standards which are in EDC’s opinion the most appropriate to the particular project, and require any adverse gaps EDC identifies between the standards to which the project has been designed and the international standards selected by EDC to be explained to EDC’s satisfaction.”

The Working Group has serious concerns around the “benchmarking” approach to environmental assessment. We echo the Gowlings critique of the Environmental Review Framework (ERF), calling for EDC to “adopt a substantively and methodologically clear and transparent environmental framework”. We feel that like the ERF, the ERD lacks methodological clarity and transparency.

Unlike the World Bank, American and Australian export credit agencies, EDC does not adhere to one set of internationally recognized high standards. EDC should agree to use World Bank standards, and for the hydro-electric sector the World Commission on Dams (WCD) recommendations. In the backgrounder to his June 26 news release, Minister Pettigrew states: “EDC should screen projects for environmental risks and impacts, and screening should be based on simple, clear, and objective standards. The framework should be clear about the kinds of environmental information required for screening and review, and stipulate that the decision to provide or decline financial support will not be taken in the absence of sufficient environmental information”.

By using benchmarks, projects are assessed without consistency, eliminating predictability and accountability. At the information session that we attended in Ottawa on January 25, 2001, we were dismayed to learn that EDC has no intention of sharing with the public the kind of standard used for each project assessment. This lack of transparency begs the question: how consistently and how rigorously will these projects be assessed?

The WG rejects a benchmarking approach. However, if EDC continues with this approach, at minimum it must commit to transparency in its choice and application of standard for all projects.

“In addition, the environmental assessment information provided will demonstrate to EDC’s satisfaction that the project in respect of which EDC is conducting a review has been designed to comply with host country environmental requirements...”

Meeting host country requirements may be insufficient to uphold international commitments and best standards. Therefore, in addition to compliance with host country environmental requirements, the Working Group urges EDC to comply with World Bank and WCD standards.

“Grounds which in EDC’s view justify providing support to a project that has environmental effects despite mitigation measures...”

EDC’s attempt to improve on the ERF by elucidating “positive benefits” misses the point of prior critiques. EDC should not enter into a transaction that has severe negative environmental or social effects despite mitigation measures. Instead of listing justifications to continue business no matter the cost, EDC should, like other agencies, define severe negative or environmental social effects. Like the World Bank, American, and Australian export credit agencies, EDC should provide an exclusion list. The backgrounder to Minister Pettigrew’s June 26 news release supports this suggestion: “The framework should clarify that EDC will seek to mitigate the potential adverse environmental impact of projects as much as possible, and should stipulate the environmental grounds on which EDC will decline its support”.

The 5 definitions of positive benefit in the ERD are so subjective, EDC can do whatever it wants without recourse. The presence of these grounds contradicts the very principles of environmental assessment.

Covenants and Monitoring

“Where EDC is unable to secure such rights, assurances, or covenants as it deems

necessary in the circumstances, EDC may decline to enter into the transaction”.

EDC must unambiguously commit to supporting only those clients that accept contractual obligations to avoid, or if impossible to minimize social and environmental risk. EDC should hold back money and release tranches to project sponsors only when covenants are upheld.

EDC must commit to releasing monitoring reports for Category A projects.

Annex 1 – Definitions

“‘environment’ means land, water, air, living organisms, and interacting natural systems.”

This narrow definition of “environment” does not include social impacts (such as labour and/or resettlement considerations). The WG urges the broadening of this definition to be consistent with the ERD’s definitions for “environmental assessment”, “environmental assessment instruments”, and “environmental effect”, which include environmental and project-related social effects.

Annex 5 – Illustrative List of Internationally Recognized Good Practices, Standards, and Guidelines

The WG reiterates the urgency for EDC to apply ONE clear methodology for projects with known or potential adverse impacts (for example, internationally accepted high standards such as the International Finance Corporation’s Guidelines and Safeguard Policies), like its American and Australian counterparts.

Concluding Remarks

EDC’s ERD maximizes discretion to the agency to such a degree that there is little to which the EDC can be held accountable. There are few commitments to transparency, rigour, or principle.

If EDC is interested in protecting the environment and local communities, it would agree to:

- a firm system of categorization
- transparency and openness in the environmental assessment process, including full and early disclosure of environmental and social information for Category A and B projects and monitoring reports
- a broad definition of public to ensure the most information is gathered as possible on a project
- requirements for independent assessments for Category A projects
- one set of high, internationally-accepted standards by which to assess Category A and B projects
- clear statements of withholding support for projects that do not comply with requirements.

Lastly, EDC is working towards the creation of a Compliance Officer position to ensure compliance with policies such as a revised ERD. Without revisions, the guidelines will remain ambiguous. How can the Compliance Officer assure her/himself that s/he is working to the letter and intent of the guidelines if these guidelines are ambiguous? How can EDC ensure that it is fulfilling the Auditor General's expectations unless its guidelines are clear?

As a crown corporation, EDC should support, not undermine, the Canadian government. It is the responsibility of the EDC to ensure coherence with Canadian government policies on sustainable development and good governance. A strong, binding, transparent, and accountable directive would better ensure that EDC is a leader among export credit agencies and upholding international commitments.

Appendix 3: Comments on EDC's Draft Disclosure Policy and Recommendations by the Working Group

June 29, 2001

Response to the Export Development Corporation's

Draft Disclosure Policy

The NGO Working Group on the Export Development Corporation (WG) is a coalition of Canadian non-governmental organisations concerned about the social, human and environmental impacts of export credit agencies. The Working Group promotes adherence by export credit agencies, especially Canada's Export Development Corporation, to internationally accepted standards regarding human rights, the environment and sustainable development. The Working Group is hosted by the Halifax Initiative Coalition.

The WG welcomes EDC's new draft disclosure policy. It brings EDC's activities into the sunlight, where the actions of any public financial institution should be. We believe it increases transparency and accountability, and therefore, performance, while ensuring that commerce is not negatively affected. In particular, we welcome the ex-ante release of information in the public interest and the ex-poste disclosure on a transaction basis. This draft disclosure policy has been a long time coming and is an important step. **N.B. The requirement for ex-ante release was removed in the final disclosure policy.**

However, to ensure that EDC adopts existing best practices in regards to disclosure, we present specific recommendations on a section-by-section basis below.

Our comments on the proposed disclosure policy are based on our submission to the July 2000 consultations on disclosure, available on our web site. In turn, our submission to these consultations built on recommendations made by Gowlings, the Standing Committee on Foreign Affairs and International Trade, and the Government response in May 2000.

D2. Individual Transaction Reporting

WG Recommendation 1: *The release of individual transaction information must be required as a condition of EDC-support.*

The draft policy states that "disclosure of all or part of this information will necessarily depend on EDC's ability to obtain the necessary legal consents and permission from affected parties."

The WG welcomes the release of transaction information. However, this point is weakened if companies can choose to withhold information. There should be no exceptions for the release of this information as it is key to public accountability and is not commercially sensitive. As noted in our previous submission, information that is not considered to be commercially sensitive is:

- Name of company
- Name of country

- General description of project
- Amount and type of financing
- Environmental and social information

The information listed in Section D2 of the draft disclosure policy was released routinely by EDC until the mid 1980's, is released by similar agencies routinely, and must be released by EDC ex-poste as a condition of EDC-support.

WG Recommendation 2: *The amount of EDC financial support must be given as an exact amount.*

The draft policy states that “amount of EDC financial support in approximate dollar ranges” will be disclosed.

The exact amount of public support should be provided to the public as it currently is by EDC on an ad-hoc basis.

WG Recommendation 3: *Information on non-performing loans, such as the amount in arrears, must be disclosed on a transaction basis.*

This information has been provided by the Department of Finance upon request in regards to loans to highly indebted and poor countries and must be provided by EDC on an annual basis.

D3. Environmental and Social Reporting

WG Recommendation 4: *A clear broad definition of the term “project” must be provided to include any export, investment or transaction.*

The disclosure requirement for environmental and social information must be triggered by any EDC transaction which has potential or known significant adverse environmental or social impacts. A broad definition of project, combined with an environmental or social trigger, must be used to trigger disclosure as compared to “greenfield or major expansions”.

The use of “greenfield project or major expansion” may not provide the necessary clarity for EDC staff, clients and other stakeholders attempting to determine whether a transaction triggers an environmental assessment process and therefore ex-ante disclosure.

WG Recommendation 5: *EDC must release environmental and social information on any project that will have a known or potential significant adverse environmental or social impact, irrespective of the level of involvement.*

The draft disclosure policy states that EDC will release environmental and social information for projects for which EDC would potentially provide support exceeding the lesser of US\$ 10 million or 10% of the total project cost.

Influence or level of involvement is not an appropriate trigger for disclosure. As clearly stated in the Auditor General's Report on the EDC's environmental review framework in May 2001, environmental risk should be the basis for environmental assessment processes: “drop the influence test as a criterion for deciding what level of environmental review is appropriate for a given project” (point 68, page 18). “Influence is not an indicator of environmental risk” (page 15). EDC responded

to the Auditor General Report's point by agreeing that "the influence test should be dropped" (page 19). EDC must not let a financial threshold decide whether or not environmental information should be made public. This must remain solely based on the significance of the impacts of the project.

WG Recommendation 6: Disclosure of environmental and social information must be made at minimum 60 days prior to approval of project.

As previously noted, the WG welcomes the ex-ante disclosure of environmental and social information. However, as recommended in the WG's submission to EDC's public consultation on disclosure, disclosure at minimum 60 days prior to approval, instead of 45 days, gives parties such as local communities more time to respond.

WG Recommendation 7: Environmental and social information must be specified to include environmental and social assessments, emergency response plans and other related material, including human rights information provided to EDC on the project to which the investment, export or transaction relates.

All relevant social and environmental information must be disclosed to the public. For example, the public has a right to know and comment on emergency response plans. Similarly, EDC should make public the human rights information received from DFAIT and other sources.

WG Recommendation 8: Environmental and social assessments should be directly released to the project affected communities at least 60 days prior to approval of project, in the local language and in a culturally appropriate manner.

It is unclear in the draft policy if EDC's website will be the sole means of releasing this information. Since locally affected people may not have reasonable access to EDC's website, the project proponent should be required to release the information locally, in a culturally appropriate manner and in the local language.

WG Recommendation 9: Proponents must be required, not only expected, to have consulted with relevant local parties on projects.

The draft policy writes that "proponents of such projects are expected to have consulted with relevant local parties...".

Public consultation is a key component of environmental assessments, as confirmed most recently by the Office of the Auditor-General: "public consultation and disclosure of environmental information are essential elements of a credible environmental review process" (Auditor General's Report, page 18). Therefore, consultation with local communities must be a condition to EDC-support for projects where there are known or potential environmental or social impacts.

WG Recommendation 10: Monitoring and evaluation reports must be released to ensure that any contractual obligations related to the environmental and social assessments are being adhered to.

Point E. Treatment of Confidential Information

EDC should presume disclosure unless a client can demonstrate reasonable concern for competitive disadvantage. A publicly-owned organisation offering secrecy as a central attribute is neither publicly accountable nor operating in the public interest. Owing to EDC's status as a government

entity, EDC customers should not expect their relationship with EDC to be entirely shielded from public knowledge.

WG Recommendation 11: *To clarify commercial competitive information, EDC's disclosure policy should make reference to the Federal Guide to the Access to Information Act.*

The Federal Guide to the Access to Information Act clarifies such terms as financial, business or proprietary information.

WG Recommendation 12: *Minutes of EDC's Board of Directors, or at minimum, a Chairman's summary, should be made public.*

Four government officials are present on EDC's Board in their departmental capacities. Therefore the information should be made public as they are acting in a public capacity. Like publicly traded companies who make information on Board of Directors' meetings available to their shareholders, EDC must disclose minutes or at minimum a summary to its shareholders, the Canadian public. A Chairman's summary is available from other organisations such as the World Bank.

WG Recommendation 13: *Sub-point (c), Point E, regarding the economic interests of Canada, must be clarified through examples or definition.*

Without explanation, definition or clarification, this creates a major loophole.

WG Recommendation 14: *All material related to a transaction determined to be in the public interest due to environmental and social concerns should be released to the public on a request basis, including "internal correspondence".*

Relevant internal correspondence must be accessible to disclose decision-making and deliberation processes on projects of public interest. Records to be disclosed as defined by the Access to Information Act consist of any correspondence, memorandum, etc., whether internal or external correspondence. Other crown corporations such as the Business Development Bank (BDC) and the Canadian Commercial Corporation (CCC) are required under the Access to Information Act to disclose records. This should be available from EDC on a request basis.

Point F. Accountability

WG Recommendation 15: *Canada's Information Commissioner should be tasked with ensuring the implementation and application of EDC's disclosure policy.*

The WG welcomes the draft policy's recognition that oversight of the policy is critical. The WG, however, believes that Canada's Information Commissioner is the most appropriate person to oversee the implementation and application of the disclosure policy of a federal agency, including EDC. The public would be guaranteed a familiar process that allows it access to an Information Commissioner for the right to appeal, a Commissioner who is independent and committed to increase public access to government information. The Information Commissioner is the avenue of appeal for information regarding the Canada Account of EDC currently; this should be extended to the Corporate Account.

Point G. Public Information Facilities

WG Recommendation 16: *Thirty days should be specified as a reasonable time period for responding to an information request.*

General comments

Retroactive disclosure

WG Recommendation 17: *EDC should apply this disclosure policy retroactively.*

Any non-disclosure agreement signed between EDC and past clients most likely refers to commercially sensitive information, which is not the information found in section D2 of the draft disclosure policy. As most of these transactions are long completed, there would be no commercial impact from the release of this information.

The type of information described in section D2 of this draft policy was released by EDC until the mid-1980's. This type of information should be released for all of EDC's past projects. As well, any environmental or social information collected in the past under EDC's environmental review framework (ERF) should be disclosed.

Access to Information Act

WG Recommendation 18: *EDC should be placed under the Access to Information Act.*

EDC should be subject to the Access to Information Act, as are the Canadian Commercial Corporation and the Business Development Bank. Inclusion under this Act would create an enforceable right to information but would also provide EDC with the desired protection against inappropriate disclosure. Placing EDC under the Access to Information Act would enable greater government policy coherence. Moreover, as stated in the Access to Information Act, "Canada's access law should apply to any organization that performs important public functions."

In conclusion, the NGO Working Group on the Export Development Corporation would like to congratulate EDC on this important step forward and hopes that its recommendations are taken into consideration in the final policy.

Sincerely,

Émilie Revil,

On behalf of the NGO Working Group on the
Export Development Corporation.

Endnotes

Introduction

¹ See *Reckless Lending – Volumes I and II*, produced by the NGO Working Group on the EDC, March 2000 and May 2001.

² EDC's Environmental Review Directive came into force, without public consultation, on December 21, 2001. Its disclosure policy came into force March 30, 2002.

³ 'EDC Disclosure policy', Section D3, Environmental and Social Reporting, p. 8, 2001.

⁴ *Report on the Export Development Corporation's Environmental Review Framework*, Office of the Auditor-General of Canada, May 2001, page 6.

⁵ See *Annex 5 – Illustrative List of Internationally Recognized Good Practices, Standards and Guidelines* of EDC's Environmental Review Directive, http://www.edc.ca/corpinfo/csr/environment/erd/annex5_e.htm

Chile – Alumysa Aluminum Smelter

⁶ 'CH2MHILL, Environmental Impact Assessment of Alumysa Project – Executive Summary'.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Citizen Committee for the Defence of Aysén, Life Reserve, Patagonia under heavy attack by Noranda.

¹¹ Citizen Committee for the Defense of Aysén, Life Reserve, Alumysa Project Brief.

¹² Alliance for the Aysén Reserve of Life, International Campaign against the Destruction of the Aysén Region in Chile, to Conserve One of the Last Untouched Corners of the World".

¹³ CH2MHILL, Environmental Impact Assessment of Alumysa Project Executive Summary".

¹⁴ Alliance for the Aysen Reserve of Life, The Alumysa Mega Project.

¹⁵ Catherine Coumans, December 2002. Magnola Metallurgy Inc.

¹⁶ CH2MHILL, Environmental Impact Assessment of Alumysa Project Executive Summary".

¹⁷ Alliance for the Aysen Reserve of Life, The Alumysa Mega Project.

¹⁸ Citizen Committee for the Defence of Aysén Life Reserve, Patagonia under heavy attack by Noranda.

¹⁹ Colegio Médico de Chile, Posibles efectos sobre la salud del funcionamiento de la Planta Alumysa en la XI Región.

²⁰ Peter Hartmann, personal communication.

²¹ CH2MHILL, Environmental Impact Assessment of Alumysa Project – Executive Summary", 27 pages.

²² Citizen Committee for the Defence of Aysén, Life Reserve, Patagonia under heavy attack by Noranda.

²³ Ibid.

²⁴ Ibid.

²⁵ Noranda, Prospectus Supplement, June 18 2002.

²⁶ Noranda, Annual Information Form, May 3 2002.

²⁷ Noranda, Prospectus Supplement, June 18 2002.

²⁸ Noranda, Annual Information Form, May 3 2002.

²⁹ Noranda website.

³⁰ Ibid.

Romania – Cernavoda Nuclear Reactor

³¹ CEE Bankwatch Network and Campagna per la riforma della Banca Mondiale, "Exporting Nuclear Risks: Canada, Italy and EU's responsibilities in subsidizing nuclear export to Romania", February 2002.

³² Charlotte Montgomery, "Knew Romanian work conditions were harsh, CANDU official says", *Globe and Mail*, 23 May, 1990, A1 and A2 as quoted in Halifax Initiative Coalition, "Reckless Lending: How Canada's Export Corporation Puts People and the Environment at Risk", March 2000.

³³ Halifax Initiative Coalition, "Reckless Lending: How Canada's Export Corporation Puts People and the Environment at Risk", March 2000.

³⁴ Mark Hibbs, "RENEL aims to finish Cernavoda-2 by 2000, but later date likely", *Nucleonics Week*, July 4, 1996, pp.11-12 as quoted in Sierra Club of Canada News Release "International Opposition to Romanian Reactor", December 12, 2001.

³⁵ "Romania Announces Credit Consortium for Cernavoda-2", *The World's Nuclear News Agency*, 12 December 2002, News 386/02/A

³⁶ As quoted in the Sierra Club of Canada and Halifax Initiative joint News Release, "Romanian Candu Reactor: High

Financial and Nuclear Risk”, 21 November, 2002, and internal communication Campagna per la riforma della Banca mondiale, 20 December 2002.

³⁷ As quoted in the Sierra Club of Canada and Halifax Initiative joint News Release, “Romanian Candu Reactor: High Financial and Nuclear Risk”, 21 November, 2002, and internal communication Campagna per la riforma della Banca mondiale, 20 December 2002.

³⁸ « Un consortium bancaire français finance la centrale roumaine de Cernavoda BUCAREST », 10th December 2002, Agencie France Press

³⁹ As quoted in the Sierra Club of Canada and Halifax Initiative joint News Release, “Romanian Candu Reactor: High Financial and Nuclear Risk”, 21 November, 2002, and internal communication Campagna per la riforma della Banca mondiale, 20 December 2002.

⁴⁰ “Cernavoda 2 NPP Project in Romania: Illegal Public Money for an Illegal, Useless and Risky Project” Campagna per la riforma della Banca Mondiale (November 2002).

⁴¹ “Cernavoda 2 NPP Project in Romania: Illegal Public Money for an Illegal, Useless and Risky Project” Campagna per la riforma della Banca Mondiale (November 2002).

⁴² “The Task 4 Report from the Modernization Project for Cernavoda NPP-2 Environmental Impact Assessment [PHARE]”, 14th May 2001, Acquatest and Harres Pickel Consult

⁴³ CEE Bankwatch Network and Campagna per la riforma della Banca Mondiale, “Exporting Nuclear Risks: Canada, Italy and EU’s responsibilities in subsidizing nuclear export to Romania”, February 2002.

⁴⁴ Antonia Wenish, Erika Ganglberger, Austrian Institute for Applied Ecology and Heinz Hogelsberger of Global 2000. “NPP Cernavoda 2 Comments to the documents provided for the EIA”, November 2002.

⁴⁵ CEE Bankwatch Network and Campagna per la riforma della Banca Mondiale, “Exporting Nuclear Risks: Canada, Italy and EU’s responsibilities in subsidizing nuclear export to Romania”, February 2002.

⁴⁶ Letter to Petko Kovachev, Executive Director of the Centre for Environmental Information and Education from Krassimir Doukov, Bulgarian Deputy Environmental Minister, June 27th, 2002

⁴⁷ Letter to Petko Kovachev, Executive Director of the Centre for Environmental Information and Education from Manoela Gueorgieva, Deputy Environmental Minister, November 5th, 2002

⁴⁸ Antonio Tricarico, “The Cernavoda case: exporting risks, importing energy” in “Financing Disaster: How the G8 Fund the Global Proliferation of Nuclear Technology”, June 2001, p.83.

⁴⁹ Halifax Initiative Coalition, “Reckless Lending: How Canada’s Export Corporation Puts People and the Environment at Risk”, March 2000.

⁵⁰ <http://www.coface.fr/francais/rub2/environnement/environnement.htm> as quoted by Antonio Tricarico, “The Cernavoda case: exporting risks, importing energy” in “Financing Disaster: How the G8 Fund the Global Proliferation of Nuclear Technology”, June 2001, p.83.

⁵¹ Romania: l’emergenza caldo mette in ginocchio il paese, Bucharest, Il Giorno, 25 July 2000 as quoted by Antonio Tricarico, “The Cernavoda case: exporting risks, importing energy” in “Financing Disaster: How the G8 Fund the Global Proliferation of Nuclear Technology”, June 2001, p.84.

⁵² Sierra Club of Canada, “Comments by Non-Governmental Organizations on Atomic Energy of Canada Limited’s (AECL) Cernavoda Reactor 2 Environmental Assessment Summary”, December 2001.

⁵³ Ibid, 19.

⁵⁴ National Commission for Nuclear Activities Control (CNCAN), Romania Country Report, Tenth Plenary Meeting of the G-24 NUSAC Group, Burxelles, March 25-26, 1999, p. 1 as quoted in Sierra Club of Canada News Release “International Opposition to Romanian Reactor”, December 12, 2001.

⁵⁵ Dan Floru, “Reorganization of RENEL”, International Market Insight, Central and Eastern Europe Business Information Center, October 7, 1999, p.2 as quoted in Sierra Club of Canada News Release “International Opposition to Romanian Reactor”, December 12, 2001.

⁵⁶ “Exporting Nuclear Risk: Canada, Italy and EU’s responsibilities in subsidizing nuclear export to Romania” Fact-finding Mission Report on Cernavoda NPP Unit 2, CEE Bankwatch Network and Campagna per la riforma della Banca Mondiale, February 2002.

⁵⁷ Ibid, page 11.

⁵⁸ Jennifer Wells, “Going Critical: Canada’s Nuclear Misadventure in Romania”, The Globe and Mail Report on Business Magazine, June 1995, p. 38 as quoted in Sierra Club of Canada News Release “International Opposition to Romanian Reactor”, December 12, 2001.

⁵⁹ Dr. Rosalie Bertell, “Victims of the Nuclear Age”, *The Ecologist*, November 1999, p. 408-411 as quoted in Halifax Initiative Coalition, “Reckless Lending: How Canada’s Export Corporation Puts People and the Environment at Risk”, March 2000.

⁶⁰ Geoffrey York, “Romania seeks reactor loan,” *Globe and Mail*, August 6, 1998. Randall Palmer, “Italy offers to take Romanian nuclear power”, Reuters, May 25, 1998 as quoted in Halifax Initiative Coalition, “Reckless Lending: How

Canada's Export Corporation Puts People and the Environment at Risk", March 2000.

⁶¹ Correspondence between Robert Forbes, EDC and Enache Jiru, State Secretary, Ministry of Public Finance, Romania, September 25, 2002.

⁶² Nucleonics Week. "Romanian Government, IMF agree on Cernavoda Financing", October 24, 2002.

⁶³ Campaign for Nuclear Phaseout Media Release, "Majority of MPs Oppose Romanian Reactor Deal", March 16, 1999.

⁶⁴ Sierra Club of Canada News Release "International Opposition to Romanian Reactor", December 12, 2001.

⁶⁵ CEE Bankwatch Network and Campagna per la riforma della Banca Mondiale, "Exporting Nuclear Risks: Canada, Italy and EU's responsibilities in subsidizing nuclear export to Romania", February 2002, p.7.

Kanaky - New Caledonia – Goro Nickel Mine

⁶⁶ This text is based on and updates three texts by C. Coumans. *What's Inco Doing in New Caledonia?* March 6, 2002 and *Inco in New Caledonia: Protests over Prony and Goro Shut Down*, September 16, 2002 are available under the "issues" section of www.miningwatch.ca. *Goro Case Study for Global Mining Campaign*. April 2002 is available at www.globalminingcampaign.org/theminingnews/assets/pdf/goro_nickel.pdf

⁶⁷ August 23, 2002, "Solemn Declaration by the Kanak Indigenous People affirming their right on space and the Natural Heritage of Kanaky (New Caledonia)." For complete text see www.miningwatch.ca.

⁶⁸ Personal communication of Catherine Coumans with New Caledonian scientific expert. November 2002.

⁶⁹ The indigenous Melanesian people of Kanaky-New Caledonia are the Kanak who make up roughly 42% of New Caledonia's population of 207,858. Approximately 37% of Kanaky-New Caledonians are European and the rest are primarily Pacific and Southeast Asian peoples.

⁷⁰ Gabrie C. 1998. L'état des rectifs coralliens en France Outre-Mer. Nouvelle-Calédonie, Wallis et Futuna, Polynésie Française, Clipperton, Guadeloupe, Martinique, Mayotte, La Réunion, Îles Éparses de l'Océan Indien. Rapport pour le Ministère de l'Aménagement du Territoire et de l'Environnement et le Secrétariat d'État à l'Outre-Mer. 136 pp.

⁷¹ Wilkinson, C.R., 2000. Status of Coral Reefs of the World:2000. *Australian Institute of Marine Science*. Cited in C.Coumans, *What's Inco Doing in New Caledonia*. March 6, 2002. www.miningwatch.ca.

⁷² Bouchet, P., P. Lozouet, P. Maestrati, V. Heros. Assessing the magnitude of species richness in tropical marine environments: exceptionally high numbers of mollusks at a New Caledonian site. In *Biological Journal of the Linnean Society*, 2002, 75, 421-436.

⁷³ Jaffre, T., P. Bouchet, J.M. Veillon, 1998. Threatened Plants of New Caledonia: Is the system of protected areas adequate? In *Biodiversity and Conservation*, 7:109-135. Cited in C.Coumans, *What's Inco Doing in New Caledonia*. March 6, 2002. www.miningwatch.ca.

⁷⁴ Chazeau, J. 1995. Actes de la Deuxième Conférence Internationale sur l'Écologie des Milieux Serpentiniques. Nouméa, 31 juillet-5 août 1995. pp.95-105. Cited in C.Coumans, *What's Inco Doing in New Caledonia*. March 6, 2002. www.miningwatch.ca.

⁷⁵ Mary, N. 1999. Caractérisations physio-chimique et biologique des cours d'eau de la Nouvelle-Calédonie, proposition d'un indice biotique fondé sur l'étude des macroinvertébrés benthiques. Thèse de doctorat, Nouméa, Nouvelle-Calédonie: Université française du Pacifique. 181 p. + annexes.

⁷⁶ On February 5, 2002, CEO Scott Hand expected to have the partnership and financing arrangements for the Goro project concluded within months: "We have been deliberate about finding the right partner and the right arrangement and I hope to conclude this process in the next few months." On August 19, 2002 Hand predicted the permitting for the mine to be completed in the third quarter of 2002 (August 19, 2002). But in Inco's September 18, 2002 Prospectus the company says about Goro "we are not currently in a position to predict when all of the required approvals would be in place for us to develop...."

⁷⁷ Inco press release: 12/5/02. *Inco Limited to undertake comprehensive review of Goro project based upon latest cost data and trends*. www.incoltd.com/MediaCentre/News/default.asp?year=2002&posting_id=1597

⁷⁸ See section "Risky Technology" below.

⁷⁹ Nickel Australasia. Issue 101: August 21, 2002. Cited in C.Coumans, *Inco in New Caledonia: protests over Prony and Goro Shut Down*. September 16, 2002. www.miningwatch.ca.

⁸⁰ Scott Hand, CEO Inco. February 5, 2002. Investment Community Meeting. Florida. Cited in C.Coumans, *What's Inco Doing in New Caledonia*. March 6, 2002. www.miningwatch.ca.

⁸¹ "New Caledonia government gets 10 per cent in Goro nickel" 20 November 2002, NOUMEA (Pacnews). The timing for this apparent sudden shift of policy by Inco is important. One week earlier the New Caledonian government was brought down by the resignation of one of the member parties, the UC (a component of pro-independence Kanak Socialist National Liberation Front). It is thought there was division in the government over Goro. The UC complained that the "principles of power sharing and 'collegiality' in the government were not being respected (*New Caledonia-government - Next government to have ten members NOUMEA, November 21 - Oceania Flash*). This complaint

apparently directed at the Rally for New Caledonia within the French Republic, the party of the pro-Goro strongman of the southern province, Jacques Lafleur, who has been fighting to get greater ownership in Goro for New Caledonia.

⁸² Scott Hand, CEO Inco. August 19, 2002. Report for Investment Community.

⁸³ Ibid.

⁸⁴ Scott Hand, CEO Inco. February 5, 2002. Investment Community Meeting. Florida. Cited in C.Coumans, *What's Inco Doing in New Caledonia*. March 6, 2002. www.miningwatch.ca.

⁸⁵ Ibid.

⁸⁶ For additional information on financing: S. Gorson. Fried, *A Done Deal? Inco/Goro Nickel, the Environmental Impact Assessment Process and Public Finance in Kanaky/New Caledonia*, October/November, 2002.

(www.environmentaldefense.org/knc).

⁸⁷ Webcast December 5, 2002.

⁸⁸ Inco press release: 12/5/02. *Inco Limited to undertake comprehensive review of Goro project based upon latest cost data and trends*.

⁸⁹ S. Gorson Fried, *A Done Deal? Inco/Goro Nickel, the Environmental Impact Assessment Process and Public Finance in Kanaky/New Caledonia*, October/November 2002, p.9.

⁹⁰ Monique Barbut, Executive Director for Overseas Operations, AFD in a meeting at the AFD office in Paris with the Senat coutumier, Action Biosphere, Amis de la Terre, and Environmental Defense. 10/22/02

⁹¹ This financing is available to Inco under the Pons/Paul Act Agreement. It essentially allows direct or indirect investments to be deducted from taxable profits. Cited in C.Coumans, *What's Inco Doing in New Caledonia*. March 6, 2002. www.miningwatch.ca.

⁹² Roche. October 2001. Koniambo Project:Environmental Baseline Study - Summary. Cited in C.Coumans, *What's Inco Doing in New Caledonia*. March 6, 2002. www.miningwatch.ca.

⁹³ When questioned, Inco officials tend to say they will abide by French environmental standards.

⁹⁴ www.Inco.com

⁹⁵ For example, see Action Biosphere's, *Remarques de l'association Action Biosphere a propos de l'Enquête Publique pour l'Usine commerciale do Goro Nickel*, March 6, 2002. Available at www.actionbio.net; Corail Vivant's *Enquête publique relative au dossier de demande d'autorisation d'exploiter des installations classées project : Inco/Goro Nickel S.A.*, March 6, 2002. For international efforts, see « Inco draws fire for French-only data », an article in the *Globe and Mail*, by Allan Robinson, Saturday, March 9, 2002, page B5.

⁹⁶ The *Senat Coutumier* (Customary Senate) was established in 1998 and is composed of 16 members, two representatives from each Customary Area who are designated through traditional customs. The *Senat Coutumier* should be consulted by all levels of government on matters concerning Kanak identity, which includes activities that impact on the land and the sea. The *Senat Coutumier* is represented on the Consultative Committee on Mines.

⁹⁷ While in Canada in October 2001, then- *Senat Coutumier* President George Mandaoue asked MiningWatch Canada for assistance in arranging an independent scientific review of the *Installation Classee* soon to be tabled. On October 16, 2002 President Pierre Zeoula reiterated this request through a letter. Global Response assisted in organizing a letter writing campaign appealing to New Caledonian government authorities to allow time before permitting for an independent review of the IC.

⁹⁸ Information provided in a report by Jacques Sarimin Boengkih to the Kanaky-New Caledonia Environmental Project, "Customary Senate's mission to Paris, October 17-31 2002, Extracts from the report to the Senate", November 2, 2002. Statement by J.P. Pineau, chief scientist on the INERIS report during a meeting on October 28, 2002 in the Paris office of INERIS with representatives of the *Senat Coutumier*, Action Biosphere, Amis de la Terre and Environmental Defense. Mr. Boengkih was *porte parole* for the *Senat Coutumier* on a fact finding mission to Paris.

⁹⁹ INERIS, July 2002. Analyse critique du dossier de demand d'autorisation du Projet Goro Nickel: Synthèse. Version en Projet Goro Nickel. Cited in C.Coumans, *Inco in New Caledonia: protests over Prony and Goro Shut Down*. September 16, 2002. www.miningwatch.ca.

¹⁰⁰ An analysis of the INERIS report was prepared by Stephanie Fried, "A Done Deal? Inco/Goro Nickel, the Environmental Impact Assessment Process and Public Finance in Kanaky/New Caledonia: A Brief Examination of INERIS and Park Service Analyses of the Inco/Goro Nickel Mine Environmental Impact Assessment," Oct/Nov, 2002. The Environmental Defense analysis was based on the following documents: Service Des Parcs et Reserves Terrestres. Joseph Manaute. May 1, 2002. Report No. FB/ParrM-002.02. Remarques et Observations relatives au dossier de demande d'autorisation d'exploiter des ICPE de Goro Nickel dans le cadre de son projet minier et hydrometallurgique dans les regions de Goro/Prony and primarily on the July 2002 version (with pages from the August 2002 version) of the INERIS report, titled "Analyse critique du dossier de demande d'autorisation du Projet Goro Nickel: Synthese Version en Projet Goro Nickel".

¹⁰¹ Service Des Parcs et Reserves Terrestres. Joseph Manaute. May 1, 2002. Report No. FB/ParrM-002.02. Remarques et Observations relatives au dossier de demande d'autorisation d'exploiter des ICPE de Goro Nickel dans le cadre de son

projet minier et hydrometallurgique dans les regions de Goro/Prony. Cited in C.Coumans, *Inco in New Caledonia: protests over Prony and Goro Shut Down*. September 16, 2002. www.miningwatch.ca

¹⁰² Unofficial translations of this document.

¹⁰³ One scientific expert has noted the urgent need for hydrobiological studies in the Goro/Plaine des Lacs Area as one of “two key areas that have almost certainly not been done properly” adding this area is one of “very high endemism” and “very underexplored.”

¹⁰⁴ Prospectus. \$400.000.000 Inco Limited. September 18, 2002.. Page 11.

¹⁰⁵ For the text of this petition in French see: www.miningwatch.ca under “issues.”

¹⁰⁶ Georges Mandaoue, President *Senat Coutumier*. March 6, 2002. PRESENTATION REPORT TO THE ATTENTION OF THE HONORABLE MEMBERS OF THE CUSTOMARY SENATE OF NEW CALEDONIA: **SUBJECT:** Public enquiry concerning the GORO-NICKEL industrial project. Unofficial translation. For text see: www.miningwatch.ca under “issues”. Cited in C.Coumans, *Goro Case Study for Global Mining Campaign*. April 2002.

www.globalminingcampaign.org/theminingnews/assets/pdf/goro_nickel.pdf

¹⁰⁷ For the text of this declaration see: www.miningwatch.ca under “issues”

¹⁰⁸ For the text of this declaration see: www.miningwatch.ca under “issues”

¹⁰⁹ The delegation to Canada was made up of Georges Mandaoue (then-President of the *Senat Coutumier*), Regis Vandegou (Secretary General of the *Senat Coutumier*), and Jacky Mermoud and Rick Anex of the NGO Action Biosphere. This visit was organized by MiningWatch Canada.

¹¹⁰ Notes by Catherine Coumans from a meeting with Inco executives Bill Napier and Alan Stubbs: October 22, 2001.

¹¹¹ Letter to Scott M. Hand. November 11, 2002.

¹¹² Inco Form 10-K, December 31, 2001. Page 83. For more information, see S. Gorson Fried, *A Done Deal? Inco/Goro Nickel, the Environmental Impact Assessment Process and Public Finance in Kanaky/New Caledonia*, October/November 2002.

¹¹³ Inco. September 18, 2002. Prospectus. Page 12. For more information, see S.Gorson Fried, *Notes on Inco's \$400 million Public Offering in the United State*”, September 2002.

¹¹⁴ Personal communication with Catherine Coumans: October 29, 2001.

¹¹⁵ Lowe, M. March 1, 2002. *Inco's Risky South Seas Venture* in Straightgoods.com . Cited in C.Coumans, *What's Inco Doing in New Caledonia*. March 6, 2002. www.miningwatch.ca.

¹¹⁶ Personal Communication of Catherine Coumans with Bill Napier, Vice President Environment at Inco: November 10, 2001.

¹¹⁷ USTKE secretary general Gerard Jodar quoted in PacNews, September 2, 2002. Cited in C.Coumans, *What's Inco Doing in New Caledonia*. March 6, 2002. www.miningwatch.ca.

Indonesia: Inco Nickel Mine

¹¹⁸ Sangaji, A. 2001. *INCO: Rahmat atau Petaka?* YTM Position Paper.

¹¹⁹ Sangaji, A. July 18, 2002. *Japanese Involvement in Nickel Mining in Indonesia*. Discussion Paper for Japanese NGO Meeting.

¹²⁰ Tempo, 24/03/1990.

¹²¹ Sangaji, A. 2001. *INCO: Rahmat atau Petaka?* YTM Position Paper.

¹²² Sangaji, A. July 18, 2002. *Japanese Involvement in Nickel Mining in Indonesia*. Discussion Paper for Japanese NGO Meeting.

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¹²⁴ Sangaji, A. 2001. *INCO: Rahmat atau Petaka?* YTM Position Paper.

¹²⁵ Sangaji, A. July 18, 2002. *Japanese Involvement in Nickel Mining in Indonesia*. Discussion Paper for Japanese NGO Meeting.

¹²⁶ Radar Sulteng. January 16, 2002. *Kalau Tak Mau Bayar Usir Saja*.

¹²⁷ Kendari, KP. January 17, 2001. *PT Inco Bakal Gugat Pemda Sultra. Jika Rencana Kontrak Karya Dibatalkan*.

¹²⁸ Robinson, K. 1986. *Stepchildren of Progress: The Political Economy of Development in an Indonesia Mining Town*.

¹²⁹ Aditjondro, G. 1982, Dapatkah Soroakko dan Tembagapura Menjadi Pusat Perkembangan Daerah? *Prisma*, No. 8, August, Tahun XI. In Sangaji, A. July 18, 2002. *Japanese Involvement in Nickel Mining in Indonesia*. Discussion Paper for Japanese NGO Meeting.

¹³⁰ Ibid.

¹³¹ Sangaji, A. 2001. *INCO: Rahmat atau Petaka?* YTM Position Paper.

¹³² Mananta, N. *Existence of Karonsi'e Dongi Indigenous Community*. Presentation Paper submitted to International Mining Workshop, May-June 2002, Bali, Indonesia.

¹³³ Aditjondro, G. 2000. In Sangaji, A. July 18, 2002. *Japanese Involvement in Nickel Mining in Indonesia*. Discussion Paper for Japanese NGO Meeting.

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- ¹³⁶ Ibid.
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- ¹⁵³ SKH Nuansa Pos. August 7, 2002. *Kesulitan Dana PT Inco Soroako Gagal Eksploitasi. Mangun: Jika Tak Mampu Mundur Saja Dari Sulteng*.
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- ¹⁵⁶ One Pute Jaya Declaration. May 6, 2001.

Ecuador – OCP Pipeline

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- ¹⁵⁸ Inter Press Service Jan 11, May 29 2002; Dow Jones Newswires May-July 2002; Emerging Markets Online May-June 2002; Energy Compass Jan, May 2002; Latin American Weekly Report April-June 2002; Amazon Watch; Rainforest Action Network; Rainforestweb.org
- ¹⁵⁹ As stated in Robert Goodland, Independent Compliance Assessment of OCP with the World Bank's Environmental and Social Policies, 2002, "OCP facilitates the opening of a further 2.4 million ha of Amazon forest to oil production by auctioning oil concessions to private oil corporations", p.6.
- ¹⁶⁰ Robert Goodland, Independent Compliance Assessment of OCP with the World Bank's Environmental and Social Policies, 2002.
- ¹⁶¹ El Comercio, 03/08/02
- ¹⁶² Robert Goodland, Independent Compliance Assessment of OCP with the World Bank's Environmental and Social Policies, 2002.
- ¹⁶³ Ibid.
- ¹⁶⁴ Petroleum World, 10/24/02; Leslie Jermyn, In Whose Interest?, 2002.
- ¹⁶⁵ Alberta Acosta, Ecuadorian economist.
- ¹⁶⁶ BBC News, 10/13/02
- ¹⁶⁷ Debi Kar (CEPR), Fact Sheet: The IMF's involvement in Ecuador's OCP Pipeline Project, 2002.
- ¹⁶⁸ Export Development Canada, Project Profiles, www.edc.ca
- ¹⁶⁹ Conversation with Yolanda Banks, Export Development Canada, November 2002.

Romania - Rosia Montana Gold Mine

- ¹⁷⁰ Peter Fisher and Alina Lengauer, 'An Expert Opinion on the Compatibility of the Rosia Mining Project in Romania with the Principles and Norms of EU and EC Legislation', Vienna, October 2002.

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- ¹⁷¹ See www.gabrielresources.com and www.egoldfields.com
- ¹⁷² De Morgen News, 28 November 2002, *Romania: Goldmine is predictable disaster*.
- ¹⁷³ Wall Street Journal, October 11, 2002, *Romanian Gold-Mine Loan Blocked by World Bank Chief*.
- ¹⁷⁴ While resettlement shall be effected on a voluntary basis, this does not preclude possible forced settlement, as illustrated by this statement in the Rosia Montana Project Summary, “Involuntary resettlement should be minimized where feasible, exploring all viable alternative project designs” (p90).
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- ¹⁷⁶ Ibid.
- ¹⁷⁷ Ibid.
- ¹⁷⁸ Minenews, September 9, 2002, *Gabriel Resources and European Goldfields decide to widen investor bases with listings in London*.
- ¹⁷⁹ Wall Street Journal, October 11, 2002, *Romanian Gold-Mine Loan Blocked by World Bank Chief*.
- ¹⁸⁰ Bloomberg News, 11. October 2002, *World Bank halts talks on Gabriel Resource’s Romanian Mine*.
- ¹⁸¹ In an e-mail to confirm whether Barrick Gold, Anglo-American and Rio Tinto had been approached, only Rio Tinto acknowledged that they had “looked at the deposit and (are) not actively pursuing it at this time” (personal communication).
- ¹⁸² David M. Chambers ‘Technical Comments on the Rosia Montana Feasibility Study and the Rosia Montana Project Description’, p. 1, Center for Science in Public Participation, December 2002.
- ¹⁸³ <http://www.manhattan-min.com/s/ReservesAndResources.asp>
- ¹⁸⁴ David M. Chambers, op.cit., p.1.
- ¹⁸⁵ <http://www.rosiamontanagoldcorp.com/eng/index2.htm>
- ¹⁸⁶ David M. Chambers, op.cit., p.2.
- ¹⁸⁷ Ibid.
- ¹⁸⁸ Ibid.
- ¹⁸⁹ Dr. Robert E. Morgan, *De-coding Cyanide*, An Assessment of Gaps in cyanide Regulation at Mines, 2002.
- ¹⁹⁰ *Rosia Montana Project Description*, ESG International, September 30, 2002, p. 22-23.
- ¹⁹¹ David M. Chambers, op.cit., p. 8.
- ¹⁹² *Rosia Montana Project Description*, ESG International, September 30, 2002, p. 25-26.
- ¹⁹³ Robert Moran, *More Cyanide Uncertainties – Lessons from the Baia Mare, Romania Spill*, Mineral Policy Center, 2001.
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- ¹⁹⁷ Sydney Morning Herald, July 11, 2000, Hungary to sue for A\$181 million
- ¹⁹⁸ ‘The Aurul S.A. tailings dam failure (Baia Mare, Romania)’ [Available on-line at <http://www.sociamedia.nl/~wise/uranium/mdafbm.html>] (12/12/02).
- ¹⁹⁹ Sydney Morning Herald, July 11, 2000, Hungary to sue for A\$181 million
- ²⁰⁰ See www.rosiamontana.org
- ²⁰¹ *Rosia Montana Project Description*, ESG International, September 30, 2002, p. 17
- ²⁰² Stephanie Roth, June 5, 2002, *A storm in the making*, CEE Bankwatch.
- ²⁰³ Dana Clark ‘The World Bank and Human Rights: The need for greater accountability’, *Harvard Human Rights Journal*, Vol. 15, Spring 2002.
- ²⁰⁴ Ibid
- ²⁰⁵ De Morgen, 28 November 2002, *Romania: Goldmine is a predictable disaster* and *Rosia Montana Project Description*, ESG International, September 30, 2002, p. 17-18.
- ²⁰⁶ See *Rosia Montana Project Description*, ESG International, September 30, 2002, p. 15 for details.
- ²⁰⁷ See for details, Dr. Peter Fisher and Dr. Aline Lengauer, ‘The Compatibility of the Rosia Montana Mining Project in Romania with the Principles and Norms of EU and EC Legislation’, October 2002.

Peru – Tambogrande Gold, Silver, Copper and Zinc Mine

- ²⁰⁸ Letter to Bill Graham, Minister of Foreign Affairs and Herb Dhaliwal, Minister of Natural Resources, sent July 11, 2002 by the Canadian Council of International Cooperation, an umbrella organization of 90 international development organizations.
- ²⁰⁹ Juan Aste Daffos, ECO, May 2001, quoted in a supplement to the El Tiempo newspaper, Piura, Sunday August 19, 2001.
- ²¹⁰ <http://www.manhattan-min.com/s/ReservesAndResources.asp>

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- ²¹² Rousseau, S. and F. Meloche (2002) “Gold and Land: Democratic Development at Stake”, The International Centre for Human Rights and Democratic Development [Available on-line: <http://serveur.ichrdd.ca/english/commdoc/publications/demDev/tambograndeReportEng.html#N2>] (12/12/02)
- ²¹³ Rousseau, S. and F. Meloche, op.cit.
- ²¹⁴ Rousseau, S. and F. Meloche, op. cit.
- ²¹⁵ This said, Antamina itself is not the model of perfection. It was highlighted in *Reckless Lending – Volume II*, Halifax Initiative (May 2001), as a project that forced thousands of residents from their lands and livelihoods, and brought with it pollution risks, and an inadequate compensation and resettlement process.
- ²¹⁶ Rousseau, S. and F. Meloche, op. cit.
- ²¹⁷ Ibid.
- ²¹⁸ Rousseau, S. and F. Meloche, op. cit.
- ²¹⁹ <http://www.manhattan-min.com/s/EIAResults.asp>
- ²²⁰ Rousseau, S. and F. Meloche, op. cit.
- ²²¹ <http://www.manhattan-min.com/s/CommunityRelations.asp>
- ²²² Rousseau, S. and F. Meloche, op. cit.
- ²²³ “Proyecto Tambogrande - Minera presenta Estudio de Impacto Ambiental”, El Tiempo, December 12, 2002
- ²²⁴ <http://www.manhattan-min.com/s/EIAResults.asp> and “Manhattan tallies EIS for Tambo Grande”, Northern Miner, December 12, 2002.
- ²²⁵ Moran, R., op. cit.
- ²²⁶ Rousseau, S. and F. Meloche (2002) “Gold and Land: Democratic Development at Stake”, [Available on-line: <http://serveur.ichrdd.ca/english/commdoc/publications/demDev/tambograndeReportEng.html#N2>] (12/12/02)
- ²²⁷ “EIA Results” [Available on-line: <http://www.manhattan-min.com/s/EIAResults.asp>] (12/12/02)
- ²²⁸ Rousseau, S. and F. Meloche, op. cit.
- ²²⁹ Ibid.
- ²³⁰ Ibid.
- ²³¹ Ibid.
- ²³² “Peru's Tambogrande slams mine project in vote”, June 2, 2002, Reuters.
- ²³³ “Manhattan tallies EIS for Tambo Grande” *Northern Miner*, December 12, 2002.
- ²³⁴ As cited in letter to Bill Graham, Minister of Foreign Affairs and Herb Dhaliwal, Minister of Natural Resources, sent July 11, 2002 by the Canadian Council of International Cooperation, an umbrella organization of 90 international development organizations.

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