

GCM Resources plc Phulbari Project: message to shareholders

"We are poor and where shall we stand if they snatch the land away from us? We don't want the open coal mine even at the cost of our blood."

Srimati Murmu, from the Santal community of Phulbari, 26 November 2007

A complex project in a complex setting

GCM's Phulbari coal project is a proposed open-pit coal mine in northwest Bangladesh and includes the construction of at least one 500-MW power plant, a coal rail-river transport scheme and a coastal offloading facility. The original project design proposes a mine with a life of at least 36 years, at a maximum capacity extraction rate of 16 million tonnes of coal per year at peak output, to depths of 300 metres, and would require almost 6000 hectares (60 sq km) of mostly productive agricultural land. At full production about eight million tonnes of coal would be transported by rail and barges to an offshore reloading facility. An additional four million tonnes would be exported to India via railway, and the remaining three million tonnes would be used for domestic energy consumption.

The integrated Phulbari coal mine, coal rail-river transport and coastal coal offloading project, is of such dimensions that it would prove highly challenging even for a country with vast experience, rules and regulations around mining and environmental and social safeguards. Yet the project is being proposed, in its present form and dimensions, for a country with a poor record of environmental compliance and considerable weaknesses in regulatory enforcement. Its proponent, GCM Resources plc, has insufficient practical experience of a project of this magnitude.

Key concerns

The Phulbari coal project poses numerous dangers, ranging from the degradation of a major rice-producing agricultural region in Bangladesh at a time of volatile food prices and shortages, to potential pollution of the world's largest wetlands. The clear problems around land scarcity and forced displacement, along with the lack of community and civil support and a challenging political environment in Bangladesh, threaten to impoverish tens of thousands of people and will lead to conflict in the project area.

Human rights: In August 2006, the Bangladesh Rifles, a paramilitary force, opened fire on the 50,000 local people who were conducting a peaceful protest around the Phulbari project area. At least three people were killed, including a 14-year old boy, and over 100 people were wounded. Following these protests, in January 2007, Bangladesh was put under emergency rule and a military-backed interim government took over in the country. In many ways, the rule of law has been suspended. Over the past two years, community leaders, individuals from non-governmental organizations, human rights defenders and others have been intimidated, threatened, arrested and tortured. As one example, in February 2007, Mr. S.M. Nuruzzaman, one of the leaders of the social movement in opposition to the project, was falsely arrested and subsequently tortured.

Indigenous Peoples: The mine and the associated facilities will impact a large number of Indigenous Peoples' communities in addition to having widespread potential impacts on the majority Bengali population. The Indigenous Peoples who will be impacted, the Santal, Mahili or Munda Peoples, are the subject of the Indigenous Peoples Development Plan (IPDP) in the true sense of the word 'subject'. They have not been adequately consulted and their consent to relocation, required under international law, has not been effectively sought or gained. Despite strongly indicating that relocation is not their choice and that, if impelled, they would want land for land compensation, the forced relocation proposed under the mine development plans indicates that wage employment is the most likely compensation they will receive. The significant cultural damage that is threatened by such plans would most likely result in loss of cultural and community cohesion and further marginalization of these Peoples.

Environment: The project's Environmental and Social Impact Assessment (ESIA) is full of vague assurances. It makes many promises of future mitigation measures that are inadequately defined and will almost certainly not be thoroughly implemented.

In order to keep the open-pit mine from flooding, the company will need to deplete the water table, leading to profound impacts on both the quantity and quality of water available in the area of the mine footprint. In addition, the likelihood of uncontrolled acid rock drainage has – by the project proponents' own admission – not been adequately assessed; nor has the risk of a serious seismic event in the mine area. Furthermore,

the project will cause a significant increase in emissions of airborne particulate matter with a direct impact on people's health.

Finally, the project may lead to the degradation of the Sundarbans, a UNESCO protected mangrove forest and the biggest wetland area on earth. This forest is a habitat for the Bengal Tiger and many endangered species and serves as a source of livelihood for fisherfolk and other communities dependent on the wetlands for sustenance. The Sundarbans also act as a natural barrier protecting Bangladesh from the impacts of typhoons, floods and other natural disasters.

Land, Displacement and Resettlement: The project will acquire almost 6,000 hectares of land (60 sq km) and will physically and economically displace between 50,000 and 220,000 people. This includes the destruction of at least: 1,577 ponds (used to earn income through sale of fish); 80,000 fruit and timber trees (plus many thousands of bamboo sticks); 928 businesses; 36,052 homes, barns, boundary walls and toilets; 106 schools; 48 health facilities; 138 mosques, temples and churches; 692 graveyards; and 2 ancient archaeological sites.

This displacement will take place in one of the most densely populated countries in the world and will destroy a critical agricultural region, threatening Bangladesh's food supply. Over 80 percent of the land taken for this project will be fertile, agricultural land which will not be replaced, leaving farmers and families with few options for employment. In short, the project would risk the impoverishment of a massive amount of people, turning hundreds of thousands of farmers into landless wage earners, competing for jobs in entirely different sectors.

The role of financial institutions

The Asian Development Bank's (ADB) Private Sector Operations Department (PSOD) had been working since 2004 with Asia Energy Corporation (AEC), a wholly owned subsidiary of UK-based Global Coal Management Resources, to prepare the Phulbari Coal Project for Board Approval. After repeated concerns from the Phulbari community and civil society organizations and questions from within the Bank, PSOD dropped the project in April 2008, declaring that it was still "premature" to provide political risk guarantee and investment support to AEC. However, the ADB's South Asia Department has suggested that the Bank's public sector arm may consider the project should the Bangladesh government request it.

In addition to possible financing from ADB, GCM continues to receive support through equity investments of several major private financial institutions. In recent developments, London-based Barclay's Bank, one of the key shareholders and financial advisor to the project, and the Royal Bank of Scotland, sold their shares in GCM, withdrawing financial support for the project.

Recommendations for the project proponent and financiers

It is strongly recommended that project financiers, including public development banks and private financial institutions investing in GCM Resources immediately withdraw their support for GCM and this project. Without a thorough, publicly reviewed and debated cost benefit analysis of the project, including all short and long-term social and environmental costs, it is impossible to judge whether the Phulbari coal project is a viable option for meeting energy needs in Bangladesh.

It is estimated that just under two-thirds of the Bangladeshi people live without access to electricity, and public institutions such as the ADB should take a leadership role in promoting thorough and grounded assessments of alternative means for meeting energy needs in Bangladesh.

FOR MORE INFORMATION

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