

# *Higher Values*

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## BHP says mine is now “Incompatible with our environmental values”

### What's next for Ok Tedi?

Interview with Stuart Kirsch by Richard Harkinson, conducted in early November 1999. The interview can also be found on Cultural Survival's website [www.cs.org/Avoices](http://www.cs.org/Avoices). See also [www.mpi.org.au/releases/oktedi](http://www.mpi.org.au/releases/oktedi)

Stuart Kirsch is an anthropologist who has worked with Indigenous Yonggom communities along the Ok Tedi River in Western Province, Papua New Guinea (PNG), since 1986. The Ok Tedi mine began production in 1984 and by 1989, its impacts meant that the river communities began having trouble producing enough food. He conducted a social impact study in 1991, showing that environmental degradation from mining was causing severe hardships downstream, but the mine operators, BHP, refused to address the source of the problems, the tailings (or mine waste), themselves. From 1994 to 1996, he worked with Yonggom leaders, Alex Maun and Rex Dagi, and the Australian lawyers representing PNG landowners in their landmark lawsuit against Broken Hill Proprietary, Ltd. (hereafter, BHP). BHP was held in contempt for assisting the Papua New Guinea government in drafting a law that would criminalize participation in legal action abroad against corporations operating in PNG. However, BHP was saved by the Australian state law officers' refusal to give their approval to contempt proceedings.

That case was settled out of court in 1996 for approximately US\$500 million in compensation and commitment to tailings containment. The settlement had four parts: (1) a US\$90 million dollar package for the 30,000 people living along the Ok Tedi and Fly Rivers, to be paid out over the life of the mine. Unfortunately, that figure was committed in the local currency (Kina), which, despite being very strong throughout the 80s and early 90s, has recently been devalued by more than 50%. (2) A special package for the people of the lower Ok Tedi river, who have been most affected by the mine, worth about US\$35 million. (3) A 10% equity share in the mine, which is held by the National government of PNG in trust for the people of Western Province. And most importantly, (4) a commitment to implement the most practical tailings containment option as recommended by the PNG government based on studies that the Ok Tedi Mine was charged with carrying out.

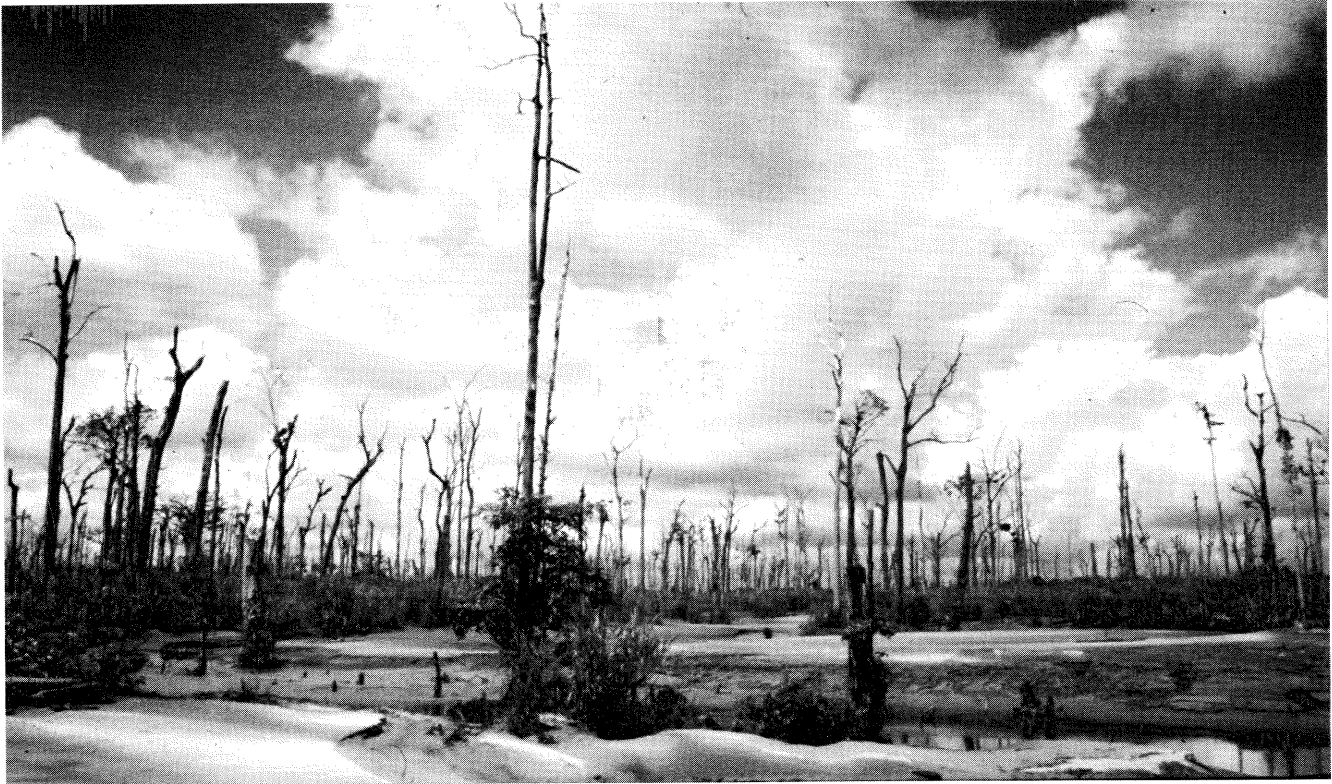
The compensation package and equity share in the mine have been implemented, but there has been a complete failure with respect to tailings containment. The mine originally posed four possible options: (1) to do nothing, which was regarded as unacceptable, (2) to build a tailings dam, which was part of the original environmental impact statement, but later set aside, (3) to dredge downstream in the lower Ok Tedi River to remove the tailings, and (4) to build a tailings pipeline at a cost of several hundred million dollars to take the tailings from the mine to a stable lowland waste dump, along with a dredging operation.

In June, 1999, BHP announced that it had received the results of its environmental studies, and finally, in August, it announced that it regarded the mine as being incompatible with its environmental values. BHP now proposes to consult with the PNG government by the end of November to decide whether the mine should continue to operate.

**Harkinson:** BHP is currently in the process of determining the future of the Ok Tedi Mine. It has set a deadline of November this year to decide whether to keep the mine open (and to continue to pollute) or to close the mine (with drastic social consequences). What's your response to BHP's position?

**Kirsch:** The recent reports were rather devastating. Most important was the admission that even if mining stops tomorrow, given the sheer volume of tailings already in the river and continued erosion from the waste rock dumps adjacent to the mine in the mountains, the problems will grow worse over the next forty years. This is as far into the future as their

## Papua New Guinea



**Forest Death along the OK Tedi river** - This could extend to 2700-4000 km<sup>2</sup>

models allow them to predict, so the problems may last even longer.

Another important admission is that there will be a cascading effect as the tailings already deposited in the river gradually migrate downstream over time. In other words, the kinds of effect that we see along the Ok Tedi River today will be reproduced downstream along the Fly, which is precisely what I predicted in 1989.

I think that we should reject the options offered by BHP at this point in time. They are asking the people living downstream from the mine to choose between the environment and people. BHP should be held responsible for its environmental impact downstream from the mine, regardless of when they close the mine.

These are some of the more serious concerns drawn from their own studies and the comments of the peer review team that they engaged to evaluate these reports: First of all, more than 300 km<sup>2</sup> of forest along the river is already dead or severely stressed. To date, this impact is concentrated along the Ok Tedi, a tributary of the Fly River. This damage will have a cascading effect downstream and may

eventually affect up to 1,350 km<sup>2</sup>. This is a huge area and the livelihoods of thousands of people will be affected. There are even suggestions in the report and the accompanying peer review that 1,350 km<sup>2</sup> is an optimistic projection and the actual damage may be two or three times as great.

Concerns were also raised about toxicity at both the bottom and the top of the food chain. The peer review questions whether algae in the Ok Tedi River has been permanently harmed. It suggests that chemical toxicity is affecting plants and trees along the river, whereas the company has long maintained that the trees were dying of hypoxia when their roots were covered by tailings. Indigenous fauna may also be vulnerable to the presence of heavy metals in the food chain.

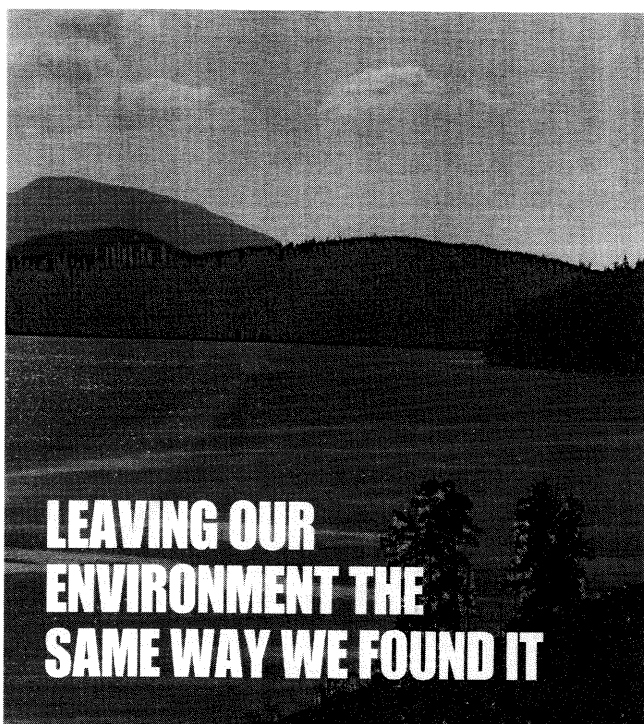
The toxic potential of heavy metals on human populations is also very problematic. The reports review data on copper and lead, highlighting the irregular release of copper into the river system, whereas the company previously only reported averages. Periodic spikes in copper levels in the river may increase the amount of toxic material that becomes bio-available. The reviewers also recommend that populations be closely monitored for

## Papua New Guinea

mercury and cadmium poisoning, both of which are regarded as highly toxic substances.

Finally, the threat of acid mine drainage is not insignificant. If tailings from the mine turn acidic, this would cause an ecological catastrophe that would dwarf the current problems. The consultants for the mine caution that nothing can be done for the environment should the mine "go acid." There are indications that continued operation of the mine may increase the chances of acid mine drainage.

For BHP to threaten to walk away from the project is completely irresponsible in my view. About two years ago, BHP ran an ad campaign in British Columbia, in Canada, touting their environmental record in the Island Copper mine closure. Their advertisement showed a sparkling blue lake and a bright sunny sky, along with the slogan: "Leaving our environment the same way we found it." I challenge BHP to live up to their corporate propaganda. They should clean up the Ok Tedi and Fly Rivers, and not threaten to abandon the problems that they have caused downstream.



BHP is one of the world's largest diversified resources companies, with operations and offices in more than 59 countries and more than 100 years of experience in the resources industry. It has four main businesses—Copper, Minerals, Petroleum and Steel—and specialized support provided by its Service Companies Group.

We aim to achieve leadership in our performance in every aspect of our business. Safety and environment are our highest priority and our most serious commitment.

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The other side of the coin is social and political. The communities downstream from the mine have long been hungry for economic development and greater opportunities—improved transport, health care, education and so on. They were all supportive of the mine in the early years and even during the lawsuit people were relatively unanimous that they wanted environmental controls and compensation, but not an end to mining.

The final consequence of early mine closure is economic and national. Ok Tedi produces a significant portion of Papua New Guinea's export earnings. I don't think that anyone in the government seriously considers letting the mine close. Every indication that I have heard suggests that the government doesn't want to pay for tailings containment or for environmental rehabilitation. They want the money to come to the capital, not to be spent on mitigation or clean-up. This is problematic, because they are simultaneously regulators, tax collectors and shareholders in the mine.

Today BHP is using these sentiments as leverage against the communities along the river. It is true that if Ok Tedi Mining shuts down its mills tomorrow, the effect on the economy would be felt almost immediately. Ok Tedi is the economic engine of the province, where population growth rates are higher than anywhere else in the country. The issue of food security for local communities is also very real; it is not clear whether people living in the vicinity of the mine and along the most affected areas of the river will be able to feed themselves after mine closure. But it seems to me that BHP is using these fears—and the fact that they are the only organization capable of delivering the kinds of support that these people need—to force a choice between people and trees. I don't view either option as acceptable.

**Harkinson:** You have observed that BHP has suggested that the die-back area on both sides of the Ok Tedi and Fly Rivers might be 1,350 km<sup>2</sup>, and that the peer review suggests it might be two or three times as great. Do you think that the full impacts have not been acknowledged by BHP?

**Kirsch:** Forty months have passed since the settlement. The Ok Tedi Mine is supposed to have a world class environmental lab and BHP, which until recently was Australia's largest corporation, presumably has the resources to support the very best scientific research. Although they have posted some of the preliminary results of their studies on their website at [www.oktedi.com](http://www.oktedi.com), they still haven't made public their final environmental report. Even a



## Papua New Guinea

non-scientist can read these documents and see that they raise more questions than they answer. BHP admits that the impact of the mine was far greater than they had anticipated, but they still don't know the full extent of its impact, or at least they haven't released this information to the public.

I don't think that the decision whether to keep the mine open can be made until the final reports are made public.

I'll go one step further: there should be an independent review of the various tailings containment options and the environmental impacts of the mine.

**Harkinson:** What is the role of non-governmental organizations (NGOs) in this process of determining what happens with the mine?

**KIRSCH:** If NGOs reject Ok Tedi's opening gambit, which seeks to make us choose between environmental and social problems, what the alternatives?

I suggest that Ok Tedi draft a mine closure report—standard practice for the industry—which should then be submitted to public review. This document should outline all of the problems that they anticipate—whether they close tomorrow or in ten years—and commit the appropriate level of resources to mitigating and rehabilitating the damage they have caused, to the extent that this is possible. It is my view that the mine closure plan should drive the decision of whether or not the mine should continue to operate. NGOs can therefore play an important role in calling for a responsible mine closure plan and an open public review.

Let me add that, in my view, the Ok Tedi Mine also has a responsibility to provide support for the social transition to life after the mine. This includes agricultural development and the maintenance of existing infrastructure, including health care, as well as the implementation of plans for a sustainable economy in the province, based on opportunities that will outlive the mine. To date, the national and provincial governments have not been very successful in converting revenues from the mine into rural development opportunities for communities in the mining impact area. This is a complex and challenging undertaking that international NGOs could support with expertise and resources.

**Harkinson:** Do you think that BHP's announced

timetable for decision-making on the mine is achievable, and if not, why not?

**Kirsch:** BHP announced in August that they would make a decision on the future of the mine by the end of November. This is obviously premature, especially since the final studies have not been released, let alone reviewed by an independent party.

My view is that the rush to settle the problem has to do with gaining a strategic advantage. The catchphrase used by BHP is to "get out ahead" of the media and the public. This is the lesson that they learned from the protracted court battle: not their responsibility to limit environmental impact, but that they must be pro-active in influencing public opinion.

But the local communities are also eager for a resolution of these debates. They have been waiting for years to benefit from the mine. If the mine is not going to spend hundreds of millions on tailings containment, they want their share of the savings to be directed back towards their communities.

Right now preliminary discussions of a new compensation package are being carried out by the mine with local residents and the government of Papua New Guinea. Presumably, the deadline gives a sense of urgency to these negotiations, which in my view may not be desirable in the long run.

**Harkinson:** What lessons can we learn from the Ok Tedi case about the different ways to influence multinational corporations?

**Kirsch:** Everyone wants to derive lessons from Ok Tedi. I am more interested in seeing a better outcome for the people living downstream from the mine.

I used to be more optimistic about the use of the courts to constrain the behavior of multinational corporations, although events over the last six months have made me more critical. Still, you have to use the tools at your disposal. From a personal perspective, the fact that we are having this discussion at all is remarkable to me, because when I first went to do research in Papua New Guinea in 1986, the Ok Tedi River was a very remote place. I was one of the first people to document the impact of the mine downstream and when I reported my findings in the capital of Port Moresby, people were stunned and surprised. No one knew what was going on! The lawsuit has brought many financial benefits to these communities and it has kept an international spotlight on the problems and the need for long-term solutions.

## Papua New Guinea

Even BHP has admitted that it isn't clear whether Ok Tedi should have been built in the first place. Perhaps we haven't developed the technology necessary to mine at high altitudes in the wet tropics. Certainly the Freeport mine across the border in Irian Jaya (Indonesia) is having very similar environmental problems.

And finally, what of the export credit agencies that guaranteed loans and provided other financial support to the Ok Tedi Mine? Why aren't they held accountable for their errors in judgement? International NGOs working on these issues should make Ok Tedi their "poster child" for the failures of export credit policy. Pressure to reform these institutions can help to create international standards for limiting environmental impact.

**Harkinson:** What is the World Bank's role in helping to determine the PNG government's response?

**Kirsch:** The Prime Minister of Papua New Guinea recently asked the World Bank to conduct a review of its options with respect to the Ok Tedi Mine. I am given to understand that the review will primarily be concerned with a comparison of the social outcomes of early mine closure versus continued benefits from development if the mine stays open. For this review to be valuable, it must be much more comprehensive in scope. Furthermore, they should consult widely with local communities and NGOs to establish appropriate terms of reference for their inquiry.

**Harkinson:** If mining continues, what additional concerns would there be?

**Kirsch:** The preliminary data show very little difference in physical impacts downstream if the mine were to close tomorrow or after the ore is exhausted in another decade. But we must also take into consideration the toxic effects of heavy metals in the food chain and the potential for acid mine drainage.

Yet the final data have not been made available to the public. In other words, I don't really know what to expect, nor do the people living downstream from the mine. But experience suggests caution.

Regardless, Ok Tedi must put a mine closure plan on the table that commits financial resources to rehabilitation. Remember that the damage will increase along the river for at least forty years; instead of threatening to pack up and go home, BHP should be thinking about a long-term relationship with the area.

**Harkinson:** What benefits have the various parties gained from the mine?

**Kirsch:** On the whole, life expectancy in Papua New Guinea has increased since independence in 1975. In the area where I work, improved transportation networks provide greater access to health care. People have more economic opportunities, more options and greater mobility than in the past.

On the other hand, people living downstream from the mine have to cope with a radically degraded environment and uncertain health risks. Whatever benefits the mine has brought to the region have certainly been compromised by the negative consequences of pollution.

The government of Papua New Guinea has benefited in terms of taxes paid and other revenues. The mine has a very good training program and many of its employees have found opportunities for work elsewhere.

Yet BHP's policies at Ok Tedi have caused their reputation to suffer enormously. In the past, the company was regarded as a very reputable place to invest pension funds, Church endowments, and so on. BHP stocks have dropped substantially in value over the last five years. While the Ok Tedi Mine was not responsible for this decline, events there are certainly indicative of management problems and poor judgement that resulted in the lower share price. The current CEO of BHP, Paul Anderson, has implemented measures intended to enhance the company's tarnished reputation. In my view, how they address the problems at Ok Tedi represents an important turning point for the company.

The shadows of Ok Tedi have spread around the world. During the lawsuit, they reached to the Caribbean, for example, where BHP was considering a copper mine in Dominica, and to public hearings in Canada's Northwest Territory, where they were competing for a billion dollar diamond concession. Currently NGOs around the world—in Papua New Guinea, Australia, North America and Europe—have expressed their concerns about the problems at Ok Tedi.

It is doubtful that the Ok Tedi Mine will ever provide the financial returns that its investors originally envisioned. Yet BHP can choose to deal responsibly with what they now acknowledge has become a serious environmental liability.