

Chelopech gold and copper mine Bulgaria



The CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

April 2009

Summary

Only four months after the Board of Directors at the European Bank for Reconstruction and Development (EBRD) had approved an increase to the original loan for the Canadian Dundee Precious Metals Development for its Chelopech gold and copper mine in Bulgaria, the Petitions Committee at the European Parliament deemed the situation at the mine's tailings dam as alarming during the site visit on 29 October 2008. The questions to be asked are what is happening on the ground and on the basis of what information the EBRD decided to extend the financing for the Chelopech mine.

History

In 2004, the European Bank for Reconstruction and Development approved a USD 10 million loan for the first phase of the Chelopech Mining project. ¹ While the Phase 1 focuses on environmental improvements, the Phase 2 proposes the expansion of metals production through introduction of cyanide leaching technology. Surprisingly, the project was categorised as an environmental category B although the activities proposed in the Phase 2 involve extraction and processing of metal ore and thus fall under the A level projects in line with bank's environmental requirements.

The EIA process for Phase 2 of the project was blocked after protest of environmentalists against the introduction of cyanide leaching, as well as the Minister for the Environment and Waters' justification based on low concession fee – 0.75% of the price of metals. After two years of negotiations, in March 2008, the Bulgarian prime minister's office announced that the Bulgarian state succeeded to regain a 25% stake in the mine as well as a higher concession fee. There has been no mention neither about the environmental concerns associated with the risks of the application of cyanide leaching nor about the result from the EIA process of 2005-06.

At the EBRD Board meeting on 22 July 2008 a week before the Phase 2 received an approval from the Ministry of Environment and Waters an increase of USD 15 million to the original loan had been approved.

Questions regarding the implementation of Phase 1

European Parliament Petitions Committee site visit

Two petitions were submitted to the Petitions Committee of the European Parliament on 17 September 2008. The first petition, concerning the arsenic poisoning of the water source of Poibrene village located downstream from Chelopech on the Topolnitsa River in November 2007, was signed by more than 500 residents of the village. The second petition complains about the lack of public consultations on the introduction of cyanide leaching technology during the EIA procedure of the Chelopech Mining project. A third petition, supporting the legislative proposal for a cyanide ban, was submitted by the Bulgarian political party "The Greens" at the Petitions Committee of the Bulgarian Parliament on 9 October 2008. The petition was signed by 14 432 residents of the capital Sofia and Pazardzhik and Plovdiv located downstream from Chelopech on the Maritsa river.



As a result of the aforementioned petitions, members of the European Parliament's Petitions Committee visited the tailings dam of Chelopech on 29 October 2008. Kathy Sinnott, the Vice-chairwoman of the Petitions Committee stated at a press conference after the visit: ***"The local tailings dam is so overfilled that the first torrential rain might result in dam's spilling and poisoning of the drinking water of two million people living downstream on the Maritsa River."***

After the press conference of the members of the Petitions Committee on November 1, the Chelopech Mining company announced to Bulgarian media that the MEPs were maliciously misled by NGOs and taken to a tailings facility that has no relation to the Chelopech gold and copper mine. At the subsequent meetings with CEE Bankwatch Network, the Petitioners and EBRD representatives (from the Environment and Sustainability and NGO Relations departments) the company however **recognised that the visit had occurred at the Chelopech tailings dam.**

Despite the strong reservations of Chelopech Mining to the competence of the MEPs and the content of the draft report from the fact finding visit to Bulgaria, **the final report was approved after a review on 11 February 2009 with a recommendation that the Bulgarian Government evaluates and analyses the pollution problems and the impact on the health of citizens at the concerned regions.**¹ The report describes the visit to Chelopech and it mentions that concerns expressed by Chelopech Mining will be taken into account for the future formal discussion of the petitions.

State of the tailings dam

The Phase 1 consists of the rehabilitation of the tailings dam and the modernization of the processing plant and the mine. After the implementation of those measures the tailings dam should be used for the whole operational period of the mine which is 9,3 years according to the Project Summary Document. According to the EIA report from year 2005 the facility has a capacity of 25-30 mln. m³ and the deposits there in 2008 are 9,5 mln. m³.

¹ Working Document on the fact finding visit to Bulgaria from 27 to 30 October 2008. Committee on Petitions. European Parliament. 12.02.2009.

As visible from the enclosed pictures, as of November 2008 the tailings dam was operated at much higher capacity. The long standing accumulation of the old sediments allows the use of only part of the remaining capacity of the dam. Moreover, maintaining the dam volume at this high level poses risk of overflow during rains, snow melting and floods which occur periodically at the water regime of the river network at the region.



It was exactly an overflow combined with the break at the Srednogorie tailings dam – located upstream from Chelopech and being used by the Pirdop smelter – which caused the major accident in 1989 contaminating the valley of the Topolnitsa River with heavy metals and arsenic. The contamination reached even the Maritza River over 100 km downstream.²

Dundee Precious Metals has assured Bankwatch that the 6m freeboard from the pond to the lowest level on the dam crest is sufficient to accommodate for even a heavy increase in the pond volume generated by a rainfall depth of over 1 m on the entire catchment area, which is more than occurs in an entire wet year.

Bankwatch is still concerned that the present use of the facility presents major risk to the environment and health of communities living along the Topolnitsa River. Additionally, the dam needs a treatment facility before disposing of water into the river system. The deposits are classified by the EU and national legislation as hazardous and ecotoxic.³

Arsenic

The extremely high arsenic concentration in the ore at the Chelopech mine is another problem, due to which the treatment of the Chelopech concentrate in Bulgaria was banned. Thus Dundee Precious Metals has been exporting the concentrate for the last four years, while the arsenic in the waste rock is inactivated by treatment with limestone.

According to our findings, stockpiles of 70 000 tonnes of pyrite concentrate (located at the mine territory during the operation by “Navan Chelopech AD”) is currently disposed at the side of the tailings dam and needs environmentally acceptable management. The company has not resolved the problem adequately, thus allowing an additional environmental impact on Topolnitsa River by the discharge of waste waters from the tailings dam with pH and sulphate ions exceeding the permitted levels. Currently the concentration of the element arsenic at the disposal is around 500 mg/kg (data from the EIA documentation).



² Upheaval in the East. A Bulgarian Town's Killer Is Industrial Pollution. The New York Times. November 27, 2008. <http://query.nytimes.com/gst/fullpage.html?res=9C0CEFDA153BF93BA15750C0A966958260&sec=health&spon=&pagewanted=1>

³ Directive 91/681/EC and BG Regulation 3/2004.

During 2005, 2007 and 2008 Chelopech Mining was penalised by the Regional Environmental Inspectorate for non-compliance with the discharge permit on the tailings dam. **In conclusion, during the implementation of Phase 1 of the Chelopech Mining project the problems of tailings dam of the Chelopech mine have not been addressed to a sufficient level**, thus at the moment the project implementation needs significant improvement to cover the environmental requirements.

Cyanide

Phase 2 of the Chelopech Mining project proposes the introduction of cyanide leaching of gold. The concerns of environmental NGOs and local communities related to this proposal have been the subject of several previous issue papers, sent to the EBRD Board and available from the Bankwatch website.

The recent developments around the project have raised some new fears. First of all, it is evident that Chelopech Mining have not managed properly the arsenic problem, so there is grounds for doubting their ability to manage a facility with yet another toxic substance in immense quantities. Secondly, according to the press, the joint company between Dundee Precious Metals and the Bulgarian Government should be established until the end of the year and the Government is ready to co-finance the (Phase 2) project with 40 million EUR. With the state being a co-owner in the venture, due to political reasons, state controlling agencies responsible for monitoring of the environmental performance of the mine may lose their impartiality.

Informing the public

The EBRD's decision of increasing the original loan was taken without any previous consultation with the public. The stakeholders learned about the 22 July voting on Chelopech from a short advance notice posted in the EBRD Board meetings online calendar where no further details appeared. The Project Summary Document, which bears information that it was updated on May 15, did not include any updates until September when the minutes from the July Board meeting were published at the bank's website.

Environmental NGOs from the Cyanide-free Coalition have in the past welcomed the EBRD support of environmental remediation in the Chelopech mine. Indeed further investments for improvement of the environmental conditions in this "hot spot" are needed. However, we believe that the benefits of the first loan for the environment and the communities affected by the mine are questionable. The cases of the downstream village of Poibrene living without drinking water supply for more than a year and the hazardous conditions of the tailings dam at Chelopech are just two evidences of these concerns. Therefore, we believe that it is in the public interest that the Bank publishes results of the monitoring activities and evaluations of the first loan for Phase 1. Additionally, we consider a good practice if the Bank informs interested stakeholders about the up-coming decisions on projects prior to the Board's voting.

Recommendations

In view of the above, the EBRD is requested to:

- **present to the interested public supervision, monitoring and evaluation documentation, demonstrating the positive results from the first loan for Phase 1;**
- **re-categorise Phase 2 of the project as a category A;**
- **not finance Phase 2 before all components of Phase 1 are completed, eg. the tailings**

dam wall rehabilitation and the landscape re-cultivation;

- not review Phase 2 of the project before the EIA process has fulfilled all legal requirements according to Bulgarian and EU legislation;
- ensure independent monitoring of the project.

For more information

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