

Bulgaria:

Centre for Environmental
Information and Education
(CEIE)
For the Earth!

Czech Republic:

Centrum pro dopravu a
energetiku
Hnutí Duha

Estonia:

Estonian Green Movement–FoE

Georgia:

Green Alternative

Hungary:

Nature Protection Club of
Eotvos Lorand University (ETK)
National Society of
Conservationists–FoE (NSC)

Lithuania:

Atgaja

Macednia:

Eko–svest

Poland:

Polish Green Network (PGN)
Institute of Environmental
Economics (IEE)

Russia:

Sakhalin Environment Watch

Slovakia:

Friends of the Earth – Center
for Environmental Public
Advocacy (FoE–CEPA)

Ukraine:

National Ecological Centre of
Ukraine (NECU)

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.

TO: Mr. Kevin Bortz, Director, Natural Resources

cc: Mr. Alistair Clark, Managing Director, Environment and Sustainability,
cso@ebrd.com

**European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom**

23 March 2012

EBRD investments in Mongolia's South Gobi

Following a fact-finding mission to Mongolia in June 2011, CEE Bankwatch sent a letter on 18 August 2011 with several questions for clarification to the EBRD. Additionally OT Watch submitted a paper on 1 November 2011 to representatives of the EBRD Board of Directors during their visit to Mongolia. While the EBRD replied to both of these, several issues still need clarification, as there is conflicting information.

1. Resettlement of herders by Oyu Tolgoi (OT)

The herders that Bankwatch, urgewald and Bank Information Center met during the June mission expressed dissatisfaction with the resettlement process, as confirmed by a report of USAID. However a letter from the Alistair Clark at the EBRD of 23 November 2011 to OT Watch replied that, according to an October 2010 survey of OT, “the resettled families have improved their standards of living since being resettled, [...] 9 out of 10 households had increased their herd size, while one household has experienced a slight decrease.” The response also cited an assessment from June 2011 by an independent consultant for the EBRD, which said that a meeting with six of ten households “found broad support for the resettlement process.”

However in line with the findings of the June NGO mission, the USAID report states that “Out of the families that were initially resettled, 4–5 continue herding and the remaining have stopped altogether – although we were not able to determine what their current status is.”

Therefore we would like clarification from the EBRD about this contradictory information.

2. Tsaagan Khad coal transfer site

There is another contradiction between the reply from Alistair Clark of 14 September 2011 to Fidanka Bacheva–McGrath and information in the USAID report. The USAID report confirms the information provided by OT Watch on Tsaagan Khad (the coal transfer area), although visiting the Chinese border crossing was not part of the June 2011 mission.

The EBRD response says, “It should be noted that the reloading area is located at 'Tsaagan Khad, which is located outside the boundaries of the Special Protected Area.”

The USAID report from says, "A section of SGB [Small Gobi B Strictly Protected Area] has been allocated to the coal transfer site – Tsaagan Khad, the Gashuun Sukhait border crossing, and will be transected by new roads and more than likely the future railroad. (see below – Linear Infrastructure) The SGB is deemed to be critical habitat regardless of its state of degradation. Therefore it is important to maintain the integrity of SGB. Unfortunately, the border crossing will not be moved because of extensive Chinese development at the border. [...] Another measure discussed was the need for all companies to erect dust breakers around each company's coal yards to contain the coal dust. During briefings, OT stated that Parliament may degazette the piece of the SGB that is being impacted by the border checkpoint, coal transfer station and roads. However, without appropriate mitigation measures for the linear infrastructure, the transportation corridors will result in ecological separation of SGA from SGB."

Therefor we ask the EBRD to provide detailed maps that show the connection between the Energy Resources reloading site and the Galba Gobi A and B SPAs, and the Special Bird Area.

Are there additional studies and mitigation plans that assess the impacts of the coal road on biodiversity, in light of the blocked rail project that is the focus of the ESIA for Phase 2 of the ER UHG project?

3. Water scarcity in the South Gobi

In its letter to OT Watch, the EBRD states that independent studies on aquifers in the region have demonstrated that "this resource [i.e. water] is not scarce, but is abundant and certainly present in quantities which will allow for the efficient operation of the mine."

However the USAID report says: "Mining companies state that there is no communication between the shallow and deep aquifers, however, if pressed, there is no proven evidence in the public domain to validate their claim. [...] The primary source for OT development is the Gunii Hooloi aquifer that can be tapped at a sufficient rate to support the mine for approximately 40 years. The Galbyn Gobi aquifer has been considered as an additional supply for OT, although tests have shown a connection, over at least part of the area, between this deep aquifer and shallow aquifers. The quality of the water from these deep aquifers does not meet GoM water quality standards and is not potable for either humans or livestock without treatment.

OT believes that the concerns of water availability for its operations have been resolved. They state that there is strong evidence that the Gunii Hooloi aquifer is a discrete body, embedded in thick layers of clay and located in a different area than water sources for shallow wells. Although not connected directly, there is the possibility of a 'rubber band effect' where shallow wells may be drawn down but this is being monitored closely. There are seven shallow wells used by 21 herders in the project zone of influence. OT has

been monitoring water via boreholes since 2003 resulting in a long-term comprehensive database comprising both shallow wells and boreholes. Water usage is expected to peak in summer due to increased evaporation from the tailings pond. Reportedly, OT has concluded that water from the Gunii Hooloi aquifer can be abstracted without impacting surface waters. If there are any issues with water sources, mitigation measures would be developing new shallow wells for delivering water to herders on a daily basis. The new wells will need to be strategically sited to prevent overgrazing of pasture and ensure no negative impacts on wildlife.”

We ask that the EBRD and/or the ER and OT companies to publish detailed information from water exploration studies and monitoring data from boreholes e.g. to interested local communities, NGOs and scientists.

More transparency may help to appease the concerns.

4. On the cumulative impacts of mining

In view of the bank’s portfolio in Mongolia’s mining sector, especially in the South Gobi region, we ask the EBRD to move beyond its project-by-project assessment and carry out a cumulative study for the region or for the country. Are there practical ways of doing this, either with its commercial clients, or as part of a technical assistance project with the government and local authorities?

5. On ESIA for the OT mine

OT company news of 24 January 2012 states: "We are approaching a very important phase in the development of the Oyu Tolgoi mine, with 70 per cent of the construction now complete." ¹

How does the EBRD evaluate developments at the mine before a final ESIA for the project has been consulted and approved? Will this affect the quality of project documentation when ready, as the baseline conditions for many environmental aspects will be lost already because of infrastructure and mine construction?

Thank you in advance for your positive consideration of this letter.

Best regards,



Vladlena Martsynkevych
CEE Bankwatch Network
vladlena@bankwatch.org

¹ http://www.riotinto.com/media/18435_media_releases_21498.asp