

Brussels, May 24th 2011

**Open letter to the Hungarian Presidency, the President of the European Council and the European Commission on EU public funding for mining**

Dear Mr Martonyi, Mr Van Rompuy, Mr Barroso and Mr Zourek,

Every year, millions of euros of EU public money flow to mining projects under the veil of bringing development. However, the mining sector's contribution to development has been repeatedly questioned by politicians, academics and civil society organisations. Recent cases show current standards and regulation are inadequate to guarantee positive development impacts.

**Therefore, we, the undersigned MEPs, call for a moratorium on EU public financing for mining projects until adequate standards and regulations are in place.**

A recently leaked audit<sup>1</sup> revealed how Mopani Copper Mine (MCM), a consortium that is mining copper and cobalt in Zambia, has been siphoning its profits out of Zambia to avoid paying tax. It relocated its profits to its mother company, the commodity trader Glencore AG, based in the tax-attractive Canton of Zug, Switzerland.

Yet, in 2005, Mopani received a EUR 48 million loan from the European Investment Bank (EIB), from the resources of its Investment facility (IF). While the project was supposed to reduce the environmental impacts of Mopani, recent analysis<sup>2</sup> show that the emissions of pollutants (such as sulphur dioxide, dust, arsenic or copper) are in excess of World Health Organisation accepted limits. Moreover, the massive use of acid, and the enormous quantities of waste produced by the copper and cobalt extraction pose an additional burden on the environment. These findings seriously question the EIB's assumption that its support to Mopani would improve environmental standards.

The development impacts of Mopani are just as controversial. The company employs a lot of precarious workers with extremely low wages and in fact has significantly reduced the workforce when the copper price fell after the financial crisis, placing the entire region in an extremely delicate situation.

We are concerned that the Mopani project is only one example of many. In the last decade, the EIB has been involved in six mining operations in Zambia, and has invested hundreds of millions of euros in mining projects in Botswana, Congo, Gabon, Kenya, Madagascar, Malawi and Mozambique. Considering the problems regarding transparency and good governance in these countries, investments in the mining sector risk to be an hazardous venture.

Indeed, the mining industry is a risky activity and is potentially very harmful to local communities and host countries. It involves large multinationals that often have close links with non-cooperative jurisdictions and operate from all over the world, making them extremely difficult to control and hold responsible for damage (either environmental or social) that can result.

Today, the EIB, which manages a major chunk of EU development money, is not equipped to face these risks. Its monitoring of the implementation of the projects has been recognised as insufficient<sup>3</sup>, and so are its policies<sup>4</sup>. Therefore we are concerned that the EU raw materials initiative foresees an important role for the EIB in financing the mining sector and related infrastructure. Given the way the EIB operates today, the EU risks compromising its fundamental values and the horizontal development and human rights objectives of its external action if it gives the EIB this role.

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<sup>1</sup> The leaked tax audit, carried out by tax specialists Grant Thornton and Econ Poyry, covered the activities of the mines from 2006 to 2008, and examined trial balances since 2003. The audit is available [here](#).

<sup>2</sup> See "[The Mopani copper mine, Zambia – How European development money has fed a mining scandal](#)", Annex 2, December 2010

<sup>3</sup> European Investment Bank's external mandate 2007-2013 Mid-Term Review, [Report and recommendations of the Steering Committee of "wise persons"](#), February 2010

<sup>4</sup> The EIB's environmental and social safeguard policies, its transparent policy, and its policy toward non cooperative jurisdictions have been analysed by CSOs and comprise many loopholes.

Therefore we call for a moratorium on the EU's public funding for mining – including EIB support – for as long as strong binding standards are not in place to guarantee the application of regulations that will prevent cases like Mopani from happening. This will require a thorough review of past experience of EU support for the mining sector overseas – a review that involves all stakeholders, conducted along similar lines to the successful model of the World Commission on Dams or the World Bank's Extractive Industries Review. Such a review would aim to define new adequate legislative measures in this regard.

Yours sincerely,

Signatures:

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