

“ALTO CHICAMA” MINING PROJECT



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Project Summary

The Alto Chicama Gold mining concession, covering an area of approximately 18,550 hectares within the provinces of Otuzco, Sánchez Carrión and Santiago de Chuco, La Libertad, Peru, is soon to be one of the largest gold mining operations in Latin America. This proposed project, however, which lies on the heads of three principal basins at an altitude of 4150 meters above sea level, presents grave risks of contamination for the river systems extending from its basins. Contamination caused by open-pit gold extraction and its associated activities could severely damage the social, biological and agricultural environment of the region.

The project poses significant and potentially unavoidable human rights and environmental threats such as acid run-off, cyanide tailings leaks and spills, fish kills and the loss of traditional cultivation and lifestyle of the established small farmers and agricultural laborers inhabiting the region for centuries. Barrick Gold Corporation is already being criticized for alleged human rights violations for its discrimination and neglect for the consultation and participation of the population of the region, as well as facing international criticism that its Environmental Impact Assessment (EIA) is flawed and does not fulfill the requirements of Peruvian national legislation.

Production from project Alto Chicama is scheduled to begin in 2005.



Human Rights and Environmental Issues:

- Destruction of traditional lands and basins utilized by campesinos for centuries as means of subsistence.
- 150,000kg of cyanide (750 US tons) used weekly in leaching pads used to extract the gold from the minerals
- Contamination of wetlands and lagoons in Alto Chicama that provide perennial fresh water and trout for the region.
- Threat to approximately 2,000 Alpaca livestock living in the high regions of Alto Chicama.
- Minimal accountability and weak national legislation likely to result in inadequate cyanide spills monitoring.
- Intimidation and discrimination against small farmers and agricultural laborers of the region.
- Violation of Convention 169 of the International Labor Organization, which specifies government responsibility to ensuring real consultation processes with local communities are carried out.

Population Affected:

- The project Alto Chicama will affect approximately 150 farming villages crossing three different provinces – and consisting of approximately 30,000 small farmers and agricultural laborers.

Status:

Barrick has presented the EIA. National and international institutions have presented critical observations which must be responded to by March, 2004. Operations stage is set for late 2004.

Project Description

Situated in the Western Mountain range of the pristine Peruvian Andes at an elevation of 4,150 meters above sea level, Alto Chicama extends to both sides of the continental divide, with its headwaters flowing easterly toward the Atlantic Ocean as well as westerly toward the Pacific Ocean. The Rivers Chuyugual and Negro flow, respectively, east and west from their sources in Alto Chicama, with the River Negro flowing into River Perejil, subsequently irrigating the agricultural region of Otuzco, an area renowned for its fruits. The Caballe Moro River flows southerly and irrigates the fertile region of Santiago de Chuco, home of the legendary author/poet Cesar Vallejo.

The mining project is wholly owned by Canadian Barrick Gold Corporation's Peruvian subsidiary Minera Barrick Misquichilca (MBM), which began exploration of the properties in

2001 and subsequently discovered one of the largest mineral reserves in Latin America. According to assessments by Barrick Gold Corporation, the Alto Chicama project will entail an investment of approximately US \$369.5 million for the extraction of nearly 7.3 million ounces of gold, becoming the second largest mining operation in Latin America by 2005.¹ Barrick Gold expects cash costs at US \$135 per ounce, making it one of the most profitable of Barrick's mining operations worldwide².



Free-roaming Alpaca in the high wetlands of Alto Chicama.

The proposed project will mine into the heart of the Andean Sierra in the pristine mountains and valleys of Alto Chicama, whose name derives from the region's indigenous Quechuan history and whose culture continues to enrich the region. Of principal concern among the population is the contamination of the numerous lagoons (more than 4000msl), whose water Barrick Gold plans to use for its operations. The lagoons have for centuries perennially constituted a marine life of more than 50,000 fresh water trout. These lagoons have also provided irrigation and drinking water for more than 30,000 residents in the area. If contaminated, the means of principal subsistence for all the residents in the area would be terminated. The concern among the population is that the great amount of water necessary for the planned project will ultimately contaminate rivers and groundwater after having been mixed with many toxic solutions, such as cyanide.

Barrick Gold Corporation has stated publicly that the gold will be produced from the ore deposit by conventional mining methods using an open pit and a cyanide heap leaching process which will use more than 100,000kg of cyanide solution per week.³ This process involves crushing the rock and then spraying the same with a cyanide solution to remove the gold, a process that is likely to result in contamination of adjacent rivers, basins and

groundwater. The main facilities of the project will encompass an open pit mine, together with a crushing plant and a heap leach pile that will receive approximately 90,000 nominal tons of mineral per day.⁴

Independent analysis of the company's Environmental and Social Impact Assessment (EIA) indicates that it does not fulfill national legislation regarding the presentation and content of EIA requirements. However, Peru's Ministry of Energy and Mining accepted Barrick's EIA, which was presented in September 29, 2003, without reservation.

Project Financing

Barrick has an 'A-rated' balance sheet, meaning they have no net outstanding debt, and over \$1 billion in cash at their disposal. Thus, it seems to be that Barrick Gold Corporation itself may be fronting the money for the project. The estimated cost to the company will be \$369.5 million. Barrick Gold has purchased the rights to this project from the Peruvian government for \$2 million. Because of the absence of any ECA, World Bank or other international trade/financial institution involvement there will be no mechanism with which to enforce such standards. The project would seem to be a bilateral arrangement between Peru and the Canadian company.

Impacts

Environmental Impacts

The environmental management plan for the project Alto Chicama is fraught with deficiencies. Independent analysis from various institutions of Barrick's EIA has discovered numerous defects, which have been presented formally to the Ministry of Energy and Mining.



Trucks operating in Alto Chicama.

According to National legislation, Barrick must implement corrections to the observations

before proceeding. Principal defects of the EIA are listed below.

- The environmental impact study for the two waste rock deposits, where annually 17 millions tons of solid mining waste will be dumped, does not provide a means of preventing filtration of Acid Mine Drainage (AMD) to surface or groundwater during the exploitation and after closure of the mine⁵.
- Barrick has not performed proper analyses to predict the potential of acid mine drainage from the waste rock deposits, and therefore does not propose any active treatment for AMD. Both waste rock deposits are located near a river, therefore presenting large risks of contamination to surface water.
- The project will not use geomembranes for the waste deposits, running high risks for contamination from the acidic run-off into underground water supplies. Geomembranes are widely considered as essential in preventing AMD filtration and run-off.
- The measurements for the "stockpile" where minerals with a high potential to produce AMD will be stored is not sufficient to prevent contamination to ground and surface water.
- During presentations of the project, Barrick assured the public that there would not be any filtration from the installations into the groundwater. However, EIA analysis suggests otherwise. In the case of the waste rock deposits where there will exist a high possibility of AMD generation, there is no plan to treat the water that filtrates.
- Grave risks of contamination from Lixiviation Pile exist. Barrick will use 150,000 kg of Natrium Cyanide a week in their leaching pads to extract the gold from the minerals. The EIA states that there will be cyanide filtration through the lining of the lixiviation pile,⁶ thus presenting high possibilities of contaminating nearby rivers and groundwater. However, Barrick sub-estimates the environmental impacts, calling them "insignificant"; and basing the conclusion from a calculation that demonstrates filtration from the Leaching Pads will be 3m³ / annually. No information



Cornfields of Sanagoran. This fertile Valley will receive the largest impacts.

is given as to how these calculations were made.

- The environmental plan to cover the waste deposits and plan to close the mine when finished is deficient.
- **Emergency Response Plan**
The EIA does not provide an adequate monitoring system that would allow immediate action in case of contamination of water systems. Strategies for the control of environmental and social impacts are referenced in World Bank "Best Practices" as an integral part in project management.

Cyanide Spills and Leakage

The risks of cyanide spills are very real for project Alto Chicama. Such a leak would contaminate the two principal river systems and eventually the fertile basins of the region, Perejil and Chuyugual, affecting approximately 30,000 small farmers and agricultural laborers. Combined with significant rainfall, which is not adequately accounted for in the EIA, cyanide-carrying tailings could be washed into both principal rivers, drastically damaging all forms of life using its water. Subsequent to such a spill, waters of the region would be ruined, creating an ecological disaster for in the region.

As noted in the independent analysis of the EIA, the management procedures of hazardous substances is completely inadequate⁷. A risk management plan for potential accidents or cyanide spills does not exist. "Good practice" industry guidelines consider this to be a basic necessity.

As mentioned above, acid generation through the oxidization of waste rock is a concern for which insufficient provisions have been made by Barrick's EIA. Effective encapsulation of acid-generating material and prevention of acidic run-off entering river systems is highly unlikely, specifically because protective geomembranes will not be utilized under the waste deposits. As stated in the EIA, cyanide leakage through the lining in the Lixiviation pile is unavoidable in the current plan.

Human Rights Impacts

Barrick Gold's Human Rights record thus far in project Alto Chicama is deplorable. The

corporation has continually disregarded the population's requests for consultation and objective information. On numerous occasions, Barrick has misinformed the population of the dangers accompanying the project.

Barrick is alleged to have bribed local and regional officials. Newspapers and radio stations in the area have been intimidated from publishing any material perceived to be in opposition to the project.

Disclosure and Public Consultation

Environmental Legislation Requires mining corporations to present an "Executive Summary" of its EIA to the communities so as to inform those whose livelihoods will be affected. The executive summary must contain all pertinent aspects of the operation as well as the risks associated with the operation in a sensible and understandable language. Many of the communities never received an executive summary. The executive summary fails to provide the required information on the 1) legal framework 2) Location, resource type and quantity to be extracted 3) Infrastructure, duration and labor requirements of the proposed project. Thus, even those who did receive the executive summary were not fully informed of the vital aspects of the project.



Barrick Security barring the doors to the Public Hearing in Huamachuco, November 18, 2003. Photo: Miriam Roseleur

Consequently, in a meeting held in Santiago de Chuco, La Libertad, Peru, 20 October 2003, communities of the region jointly declared that they were not informed of the potential impacts that could accompany project Alto Chicama and that more time was necessary in order to evaluate the EIA of Barrick Gold Corporation. Neither the Ministry of Energy and Mining nor Barrick Gold responded.

Community Opposition

Leaders from communities in the Alto Chicama area devised the "Declaration of Conditions" in

an effort to initiate a mechanism of communication regarding the operation of Barrick Gold Corporation in the valley of Alto Chicama.



Protesters rally outside Public Hearing in Trujillo. November 19, 2003.

The declaration was decided upon by environmental and social organizations of Santiago de Chuco, Huamachuco, Coina, Quiruvilca, Barro Negro and Alto Chicama (those communities adjacent to the project). Subsequent to the declaration, approximately 1,000 signatures were gathered from leaders and representatives of the three regions of Otuzco, Santiago de Chuco and Sanchez Carrion. These signatures were presented to the Ministry of Energy and Mines as well as to Barrick Gold. The conditions were also read aloud by community representatives during the public hearings. At each public hearing, Barrick Gold Corporation and the Ministry of Energy and Mining refused to acknowledge their petitions.

Community Participation

Environmental Legislation requires that any corporation wishing to operate in Peru carry out at least ten public workshops to present the EIA for any proposed operations. The purpose of the workshops is to discuss the dangers related to the project with the general population and establish a meaningful process of dialogue and consultation between the company and the population. In most of the workshops, acknowledgement of the event was granted very short notice. Consequently, very few farmers and campesinos were able to attend. In workshops where many voiced opinion against the operation, Barrick Gold publicly insulted the people.⁸

The official submission of the EIA of Barrick Gold culminated in three public hearings, one of which was suspended due to protests. In all

three hearings, farmers of the region were denied entrance. Barrick Gold is also documented as having filled the hearings with campesinos unassociated with the project Alto Chicama. Video documentation evidences campesinos attesting that they were paid to support Barrick and taunt any voiced opposition. Criticism of these events has been made to both Barrick Gold and the Ministry of Energy and Mining pointing out that it is unlawful to have denied access to farmers and citizens of the affected region to the public hearings.



Small Farmer's market near Huamachuco, Sanchez Carrion.

Treaty Obligations / International Standards

As outlined in numerous international agreements, the international community has collectively recognized the rights of indigenous and local peoples to meaningfully participate in the management of their natural resources and to follow their own visions of development. Under ILO Convention 169, which Peru has ratified, the informed consent of communities surrounding Alto Chicama must be secured *prior* to any phase of exploration⁹. Instead, the rights of communities surrounding Alto Chicama have been discriminated against and disregarded.

Regarding the international regulations of the project Alto Chicama, Barrick Gold Corporation has stated publicly in numerous workshops and public hearings that they intend to use the World Bank's "Best Practices" guidelines. They have also pledged to submit the project Alto Chicama to the auditing processes of the International Code for the Management of Cyanide. Were Barrick to formally recognize this commitment it could be a starting point to dialogue. However, Barrick Gold has declined to formally recognize the commitment. The population has also petitioned Barrick Gold Corporation to agree to submit project Alto Chicama's operations to an international,

neutral, objective institution so as to monitor the implementation of the EIA. This they requested after having received information from Barrick Gold's current Pierina mining operation, in which Barrick continually violated its initial EIA and has outstanding operational violations and unfulfilled social commitments to the people.

Conclusion

The conflict surrounding the project Alto Chicama stems from three concerns: the contamination into the principal rivers whose waters irrigate and uphold life in the region, the loss of traditional livelihoods for the local people, the lack of consideration for the socio-economic rights of the local people. The resulting tension between the people and the corporation is due to Barrick Gold's lack of will to engage and communicate with the local people. To date, the concerns and fears of the people have been largely ignored. The majority of the population has either been uninformed and / or misinformed as to the potential environmental and social risks of the project. Given this situation, there is a large and spreading consensus among civil society – both in Peru and internationally – that major changes are needed before Barrick continues.

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Endnotes

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<http://www.mineriaypetroleo.com/modules.php?name=News&file=article&sid=64>

2

http://www.barrick.com/1_Global_Operations/1_02_03_SA_Regional_Exploration_Development.asp

³ Alto Chicama EIA, Volumen A1.1, p.6

⁴ Alto Chicama EIA, Volumen B1.1, p. 9

⁵ Analysis of the project's EIA is principally based on Miriam Roseleur. Roseleur, M. a.o. *Observaciones al Estudio de Impacto Ambiental del proyecto Alto Chicama elaborado por Minera Barrick Misquichilca y Golder Associates Peru*, Asociacion Civil Labor (Peru), Environmental Law (US), 2003

⁶ Environmental Impact Study Alto Chicama. Volume C, Appendix II- section C9II.3.2.2, page C.9

⁷ Ibid

⁸ All evidence of public workshops and public audiences are video recorded, deposited regionally in the Ministry of Energy and Mining, Trujillo, La Libertad, Peru, as well as nationally in the Ministry of Energy and Mining, Lima, Peru

⁹ ILO Convention 169 -

<http://www.ilo.org/ilolex/english/convdisp2.htm>