

Uruguay Pulp Mills

IFC Action Plan based on Findings of Independent Expert Panel

Washington, DC, May 9, 2006 - On April 11, 2006, the International Finance Corporation (IFC) publicly released the report of a panel of independent experts commissioned to review comments provided by stakeholders on the draft Cumulative Impact Study of two proposed pulp mills on the Rio Uruguay.

The independent expert panel, which included Canadians Wayne Dwernychuck and Neil McCubbin, identified a need for additional information and analysis about the environmental impacts of the CMB and Orion pulp mill projects. The panel also recommended a number of technical improvements for consideration that could enhance the environmental performance of both mills.

In response to the panel's findings and recommendations, IFC and the company sponsors of the two pulp mill projects, ENCE and Botnia, have agreed to undertake the following actions to complete IFC's environmental and social due diligence:

1. The draft Cumulative Impact Study (CIS) and additional information required by IFC, referenced in item 2 below, will be revised by independent consultants. These consultants will gather additional data, perform additional analysis, and recalculate cumulative impacts in a manner that the panel has indicated is required for informed decision-making. This additional information and analysis, outlined in Item 5 below, will be incorporated into a final CIS.
2. In order to accurately revise the CIS, IFC requires updated environmental information for the two projects.. This additional information will be included as annexes within the final CIS.
3. The revised CIS and updated environmental information will be reviewed by the panel to verify consistency and responsiveness to the findings and recommendations of their report.
4. The final CIS, along with the updated environmental information, will be publicly disclosed for 30 days upon completion, and will be an essential factor in IFC's decision making process.
5. Revision of the CIS and updating of the environmental information is expected to take 60 to 90 days following the appointment of independent consultants. The terms of reference guiding the independent consultants' work will be made a part of the public record.

6. The following outline enumerates key issues identified by the panel that require additional description, analysis and/or study. The independent consultants will address each of these issues while revising the CIS and updating environmental information.

A) Plant Process Technology

- Evaluation of possible technological and process improvements that may further reduce emissions and improve effluent quality (for example, recycling of bleach plant effluent, incineration of HVLC gases, oxygen delignification, and reduction of the use of chlorine dioxide).
- Presentation of plant designs in sufficient detail to enable independent verification that the plant operations will at minimum meet environmental performance standards established by the IPPC/BREF and the Uruguayan regulatory authorities, as well as World Bank Group guidelines applicable to the manufacture of kraft pulp.
- Analyze wastewater discharge, particularly the levels of dioxins and furans, metals and salts, effluent color, and pH properties and resin acids in the process effluent.
- Provide more detailed modeling of wastewater discharge and dispersion (plume) into the Rio Uruguay and an assessment of impact on the municipal potable water supply for the city of Fray Bentos, as well as any potential transboundary impacts.

B) Plant Site Selection – Provide additional information pertaining to each company’s site selection regarding ENCE’s and Botnia’s respective decisions to locate their plants near Fray Bentos.

C) Rio Uruguay Water Quality and Aquatic Resources

- Provide a more detailed review of baseline water quality and fisheries in the Rio Uruguay to better assess the impact of estimated effluent discharge from the proposed mills.
- Include in this review further consideration of existing levels of endocrine disrupting compounds (EDCs), dioxin and furans, and fish tainting.

D) Air Quality

- Revise air emissions models developed for the original CIS to factor in additional air quality parameters and updated discharge calculations mentioned in section A above. The models will be run for each plant individually and in combination to determine overall transboundary impacts.
- Review, update, and validate meteorological data presented in the original CIS.
- Provide more detailed analysis of odors associated with pulp mill operations.

- F) Tourism** – Provide additional baseline information and analysis of the tourism industry within the area of influence of the two pulp mills. Include an analysis of tourism near existing pulp mills elsewhere in the world.
- G) Forest Plantations** – Provide additional review and analysis of mill-related plantation forestry operations and their impacts, particularly on groundwater resources.
- H) Emergency Response and Environmental Management/ Monitoring Plans** – Provide additional detail on the management plans that will be put in place by each company, particularly the environmental management, emergency response and monitoring plans. Identify additional baseline data collection that may be required following the preparation of the final CIS to support the impact monitoring of the plants during their operational phase.