

Paula Palmer
Cultural Survival Inc

Dear Paula

The following letter is in response to your letter dated 27th January 2010 in relation to the Phulbari Coal Project (Project), the development of which, by GCM Resources plc (GCM), is awaiting approval from the Government of Bangladesh.

By their nature, the impacts of mining projects (both positive and negative) on the lives of people living near them can be substantial and long term and so it is quite right that projects such as the Phulbari Coal Project are subject to scrutiny and challenge. We at GCM accept this and welcome opportunities to explain ourselves and learn from the experience and expertise of others. Where people misunderstand the impacts of the Project and the steps we are proposing to take to manage these, we seek the opportunity for constructive engagement so that they can better understand both the benefits and the impacts of the Project.

It is in this context that I am responding to your letter which I believe is fundamentally flawed in three ways.

- The letter contains numerous factual errors and inaccuracies;
- The development of the Phulbari Coal Project is not inconsistent with respect for human rights and, in particular, the rights of indigenous people. Indeed our view is that projects such as the Phulbari Coal Project have the potential (and arguably an obligation) to enhance the human rights of the people they affect
- Your letter does not recognise the benefits that the Project will bring to the population of the country as a whole and to the people of Phulbari including the indigenous people for whose rights you are an advocate.

Taking each of these in turn:

Factual inaccuracies

The Phulbari Coal Project has attracted comment and analysis from a wide range of sources not all of which are well informed or unbiased and it is not always easy to separate fact from fiction. Your letter repeats a number of myths and errors that have grown up around the Phulbari Coal Project and I address the main ones below.

- The Project will result in the resettlement of about 40,000 people, including 2,300 indigenous people, from the mine footprint over a period of approximately 10 years. This estimate is based on a census/survey carried out as part of the feasibility study involving visits to over 10,000 households in and around area of the proposed mine site. I would be interested to know what work was done in the field to support your figure of 130,000.

- Over the course of its 30 year life, the mine footprint will occupy 5,193 hectares. However, at any one time only one third of this will be in use for mining. The remainder will therefore continue to be available for non-mining productive use either prior to mining or following post-mining rehabilitation. The proposed final void/lake will be 696 hectares and will be an asset to the community as the area is partially arid with a serious shortage of water in the dry season. In reality, therefore, mining is only a temporary change of land-use and will not, as you claim, result in the destruction of land.
- The resettlement process will not contravene the UN Declaration on the Rights of the Indigenous People and I would be interested to understand why you believe this to be the case. Our resettlement programme will recognise the right of all affected people to free, prior and informed consent for any development project by which they are going to be affected. In addition to the comprehensive Resettlement Plan the Project also has an Indigenous People's Development Plan which deals with their specific issues and needs. We are not aware of any such detailed plan having been formulated in Bangladesh before.
- The Project will improve the water availability and quality for people in the affected area. Recognising the importance of managing the effects of mining on water (and vice versa), this aspect of the Project has been extensively studied as part of the feasibility study and subsequent work. As is common practice with mining operations throughout the world, it will be necessary to maintain dry working conditions by pumping water continuously from deep tube wells around the mine site. To ensure that ground water levels are not unduly affected in the surrounding areas, some of this water is injected into the ground at a distance from the mine. This is a well proven and effective technique for controlling the extent of water table drawdown in existing mining operations elsewhere in the world. GCM has developed a comprehensive Water Management Plan which will ensure that clean water extracted to facilitate mining is a community asset. This water is to be distributed for irrigation, village and town reticulated water supplies, local industries, power stations and the environment.
- As a result of mine development, agricultural output over the life of the Project will actually increase, enhancing the country's ability to be self sufficient in food. Currently, farmers in the area are only able to achieve two crops a year. As a result of year round irrigation, improved water quality, improved inputs, and improved farming practices it will be possible to produce three crops per year with higher yields than at present.
- The production of electricity using coal from Phulbari would have minimal impact on global green house gas emissions. Bangladesh currently accounts for less than 0.3% of global carbon dioxide emissions. If all Phulbari coal produced was used for electricity generation it would still only contribute around 0.4% of the global total carbon dioxide emissions. (USA and China currently each account for around 20% of global emissions and the average US citizen consumes around 80 times as much electricity as the average Bangladeshi.) The focus of the Climate Change Strategy of the Government of Bangladesh is to develop the country's ability to manage the effects of climate change. The ability to do this will be enhanced if Bangladesh has a strong and growing economy. As I explain below the Phulbari Coal Project has a unique role to play in helping the country develop this.

The Phulbari Coal Project and Indigenous People

A successful resettlement programme will be key to the success of the Project and is also one of its major challenges. Reflecting this, around a third of the initial development costs relate to resettlement, infrastructure and community programmes and several hundred million dollars will be spent on the community before any mining physically starts.

As mentioned previously, our resettlement programme recognises the special circumstances and needs of indigenous people. All of our commitments in relation to resettlement will be subject to external validation. The following points address the concerns you raise in your letter.

- Our resettlement programme will recognise the right of all affected people to free, prior and informed consent for any development project.

- We will recognise the special circumstances of indigenous peoples both in the way we interact and negotiate with them and in the way the plans are implemented.
- As part of the feasibility study, GCM initiated a consultation process with the people who will be affected by the Project. This included consultation with indigenous people and therefore we already have an insight into their concerns and preferences which are very similar to those of the non-indigenous population.
- We have identified potential resettlement sites for those indigenous communities that have expressed a wish to be relocated as a group. These sites were identified in consultation with the groups themselves.
- We have carried out a survey of sites of archaeological cultural and religious significance. All cultural property within the mine footprint including sites of archaeological, historical and religious significance, graveyards and cremation sites will be managed in accordance with internationally accepted practices.
- We recognise that the impact on graves and graveyards can be a particularly traumatic experience for concerned households and so the wishes and preferences of surviving relatives will be sought and respected. All graves, graveyards and cremation sites will be treated in accordance with the appropriate social and religious norms, prior to the occupation of any land for mining purposes.
- We will support and seek assistance from organisations and NGOs already working with indigenous groups in the Project area to help us develop constructive relationships with those groups and so support a successful resettlement programme.
- People will be given a choice. As you observe, experience on previous resettlement projects is that financial compensation is not always the most effective method of restoring livelihoods and so, where possible and practical, alternatives to financial compensation will be offered including preferential opportunities for employment. Similarly, improved living conditions through provision of housing, community facilities and infrastructure in agreed newly established community villages and towns will be offered in preference to cash compensation.

Benefits of the Phulbari Coal Project

To be able to reach a conclusion on the merits of the Phulbari Coal Project, it is necessary to understand the benefits that the Project will bring to the people of Bangladesh and in particular to the people who live in the Phulbari region.

A new source of energy

Bangladesh is in the midst of a severe and worsening energy crisis. Less than half of the country's 160 million people have access to electricity and those that do suffer from frequent power cuts. Lack of available power is a barrier to the development of industry and also impedes agricultural production due to restrictions on crop irrigation in the dry season. It is widely accepted that the availability of electricity is a necessary condition for sustainable economic and human development. For countries such as Bangladesh which have relatively low per capita electricity consumption, small increases in electricity consumption are associated with substantial improvements in education, life expectancy and levels of income.

Bangladesh's current generating capacity is largely (+90%) fuelled by gas and there are insufficient reserves to support current demand let alone a meaningful increase in capacity. In contrast, Bangladesh has substantial reserves of high quality coal and this provides the fastest, lowest risk and most reliable means of delivering a step change in electricity availability for the people of Bangladesh. The Phulbari Coal Project is the only project in Bangladesh that has been subject to rigorous study including a full Environmental and Social Impact Assessment.

The Government of Bangladesh has prioritised the increase in electricity availability as key to achieving many of its objectives including poverty alleviation and the Millennium Development Goals. While it is

easy to advocate the non-development of Phulbari, it is more challenging to propose alternative solutions as to how the country may meet these objectives without a substantial increase in its generating capacity.

Significant generator of revenues

Roughly a third of the revenues generated by the Project will go to the Government in the form of royalties, corporate taxes, customs and duties, and taxes paid by employees, suppliers and contractors. It is estimated that the direct and indirect effects of the Project will increase the country's GDP by one per cent every year of its 30 year life.

Catalyst for economic development

The improved infrastructure necessary to support the Project will also support the development of other industries. For example, the fees paid for the transport of coal on the railways will finance network upgrades that will be available to other rail users. Similarly the import of equipment and the shipment of coal will provide the impetus for port improvements.

The Project will create an estimated 17,000 direct and indirect jobs. Training programmes allied with preferential employment policies will maximise the benefit to the region. The co-products from the mine including china clay, silica sand, gravel and aggregates have the potential to support spin off industries involving the creation of thousands of additional jobs.

Further engagement

In conclusion, the Phulbari Coal Project will have a significant impact on the people who live in the Phulbari region and on the environment in which they live. Based on a substantial amount of data and analysis we believe that the overall impact will be positive. In partnership with government, civil society and the community, GCM is committed to developing the Project and managing its social and environmental impacts in line with the highest international standards.

Over recent years, the mining industry has consistently improved the way in which it manages its social and environmental impacts and GCM ensures it stays up to date on such improvements. The various studies contained in the Environmental and Social Impact Assessment are living documents and are subject to regular reviews and improvements. As such, while awaiting Government approval for the Project, the Company has engaged various experts to improve our social and environmental management plans and keep staff informed of new developments in best practices. For example, senior management have been trained on the latest developments with regard to human rights and business and fully understand how our social and environmental management plans have been developed to protect such rights.

I trust you find the above information useful, but if you would like to learn more about any aspect of the Phulbari Project please do not hesitate to get in touch.

Yours sincerely



Steve Bywater

Chief Executive