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World Bank and Others Poised to Invest in Rio Tinto's Flawed Mongolian Mining Project

Ulaanbaatar, Mongolia, September 24, 2012 – The World Bank Board of Directors has announced plans to consider a copper and gold mining project in the Mongolian South Gobi desert even though the Bank itself acknowledges that there is not enough water in the region to support the life of the Project. Despite ongoing community opposition to Rio Tinto's Oyu Tolgoi mine and its associated facilities (“OT Project”), the World Bank is considering a financing package of US\$900 million in loans and up to US\$1 billion in political risk insurance for the OT Project in early November.

The OT Project has faced fierce community resistance in Mongolia for years. The company's recently released Environmental and Social Impact Assessment (“ESIA”) does little to alleviate concerns that the Project will destroy the fragile South Gobi ecosystem, as well as the traditional way of life for the nomadic herders who have lived in the region for centuries. Richard Harkinson of the London Mining Network calls the ESIA “an elaborate and costly hoax, designed to avoid addressing the most controversial aspects of the OT Project.” As he explains, “the assessment only covers the construction phase of the Project, which is already over 94% completed. Rio Tinto, the Project manager, has not disclosed any plans for how it will manage the severe environmental impacts of the OT Project's operations, which will begin in a few months.”

According to Jelson Garcia of the Bank Information Center, “The Bank should not even consider investing in the OT Project until an ESIA covering key stages of the Project, including operations and decommissioning or closure of the mine, has been disclosed and accepted. To approve the Project now, on the basis of an ESIA covering only the construction of the OT mine, would violate Bank policies and risk damaging its reputation.” Other investors currently considering the estimated US\$13.2 billion Project, despite the woefully deficient ESIA, include the European Bank for Reconstruction and Development, the U.S. Export Import Bank, Export Development Canada, the Australian Export Finance and Insurance Corporation, Standard Chartered and BNP Paribas.

The lack of information in the ESIA about the true impacts of the OT Project is exacerbated by Rio Tinto's inadequate consultations with the most directly affected nomadic herders. “Rio Tinto has not organized meaningful, participatory, and culturally appropriate public consultations with the affected herders,” explains Sukhgerel Dugersuren, Executive Director of OT Watch, an organization working with affected herders. “Although Rio Tinto organized one meeting on the ESIA in Khanbogd, it was deeply flawed and inaccessible. Notice was given only 2 days before the meeting, making it impossible for many affected herders to attend, given that they live between 20 and 60 kilometers from Khanbogd. Additionally, only 2 copies of the Mongolian translation of the ESIA were provided during the meeting,

thus those attending were not able to review the document before the meeting. Instead of organizing further meetings, Rio Tinto intends to speak with affected herders individually. This tactic of talking to herders one-on-one tends to intimidate them, making it unlikely that they will raise their concerns about the Project.”

Several herders have already experienced devastating herd loss and other impacts after being forced to resettle because of the OT Project. They have found Rio Tinto largely unresponsive to their concerns. The long-delayed release of the ESIA, and the rapidly approaching date for the World Bank Board of Directors’ consideration of the Project, gives concerned community members and the organizations assisting them little time to meaningfully comment on the details of the 2,000-page assessment. Additionally, despite the voluminous nature of the document, it does not comprehensively address the destruction of pastureland, the diversion of the Undai River, the impacts of the mine’s associated facilities, including the company’s the company nearby international airport, being built on the herders’ reserve pasture, and the 450 megawatt coal-fired power plant that will be built to provide power to the Project, or the cumulative and aggregate impacts of all projects in the region.

For more information, please contact:

Sukhgerel Dugersuren, Executive Director, OT Watch, +976 99 185 828, otwatch@gmail.com

Jelson Garcia, Bank Information Center, +1 202 624 0622, jgarcia@bicusa.org

Sarah McNeal, Bank Information Center, +1 202 624 0622, smcneal@bicusa.org

Richard Harkinson, London Mining Network, +44 7563 238179, research@londonminingnetwork.org

Vladlena Martsynkevych, CEE Bankwatch Network, +380 44 353 78 42, vladlena@bankwatch.org

Regine Richter, Urgewald, +49 3028482270, regine@urgewald.de

Sarah Singh, Accountability Counsel, +1 415 296 6761, sarah@accountabilitycounsel.org