



COMMITTEE ON THE ENVIRONMENT,
PUBLIC HEALTH AND CONSUMER POLICY

- THE SECRETARIAT -

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***SUMMARY NOTE OF THE ENVIRONMENT COMMITTEE DELEGATION
FACT-FINDING VISIT TO ROMANIA ON
7-9 DECEMBER 2003
ON THE PROPOSED NEW ROSIA MONTANA GOLD MINING PROJECT***

I. INTRODUCTION

(i) ***Objectives of the visit***

Any decision on approval or non-approval of the proposed Rosia Montana opencast gold mining project is a matter for the Romanian national, regional and local authorities. At the same time, the project is a very controversial one and arouses strong opposition as well as support within Romania and could also have important consequences for Romania's neighbours. Moreover, one of these neighbouring countries will be within the European Union in May 2004 and Romania itself may well be an EU member by the time that any project, if approved, would be up-and-running. Among other conditions that the project would thus have to meet would be the European Union environmental acquis, most relevantly in this case in the form of a new and almost certainly more stringent EU directive on mining waste.

The purpose of the European Parliament delegation, therefore, was not to come out for or against the proposed project, but to learn as much as possible about it and its overall context, to look at the extent to which the existing and prospective European environmental acquis was being taken account of by those preparing the project and by the Romanian authorities, and finally, in view of the scale of the proposed project, to draw lessons for the European Parliament's own work on the proposed new EU directive on mining waste.

(ii) *Participants*

Four members of the Environment Committee took part in the delegation visit, Christa Klass (EPP, Germany), Marie-Anne Isler-Béguin (Greens, France), Jonas Sjöstedt (GUE, Sweden, and who also chaired the meetings in his capacity as EP rapporteur on the mining waste directive) and Hans Kronberger (Non Attached, Austria). They were accompanied by Francis Jacobs and Guy Deregnacourt of the Environment Committee Secretariat, as well as by Harald Kandolf of the EPP-ED staff. There was also considerable media attention in the visit by both Romanians and others and the delegation was accompanied by media representatives at several points.

(iii) *Programme*

On his own initiative, Dr Gheorghe Funar, Mayor of Cluj-Napoca, met the delegation at the airport on its arrival in Cluj. The delegation then proceeded to Alba Iulia. On the morning of Monday 8 December the delegation began by holding two meetings in Alba Iulia, the first with Dr Ing Mugurel Liviu Sarbu, Alba County Prefect and Mr Eugen Popa, President of Alba Iulia County Council, and the second with Mr Richard Hill, President and Managing Director and other representatives of the management of S.C. Rosia Montana Gold Corporation.

From Alba Iulia the delegation went through the polluted industrial town of Zlatna to the Rosia Montana area, where it drove through the Cornu Valley (the area affected by the proposed tailings dam and lake), and the existing mining area above the village of Rosia Montana (looking, inter alia, at the current open-cast copper mine at Rosia Poieni and the entrances of some old mining tunnels). The delegation then descended to the village of Rosia Montana where two well-attended public meetings were held, the first sponsored by the Alburnus Maior NGO and others opposed to the project, and the second by the Pro Rosia Montana NGO in favour of the project. Between 150 and 200 people were present at each of the two meetings, the former having a somewhat higher attendance, but also apparently including several partner NGOs and more people from outside the village (and in some cases from outside Romania). The delegation then returned to Cluj. It was accompanied throughout the day by Professor Ionel Haiduc, President of the Regional Branch of the Romanian Academy of Sciences.

On the morning of Tuesday 9 December, the delegation proceeded from Cluj to Bucharest where the first meeting was held with the State Secretary for the Environment, Mr Petru Lificiu (Environment is no longer a separate Ministry as during the Environment Committee delegation visit in 2002, but is now incorporated within a wider Ministry of Agriculture, Forests, Water and Environment).

A lengthy meeting was then held with Mr Alexandru Sassu (Chairman) and other members of the Special Joint Committee of the two chambers of the Romanian parliament on the Rosia Montana project. After lunch at the parliament the committee then met with Professor Simion, President of the Romanian Academy of Sciences, and other section Chairmen of the Academy. The final meeting of the delegation was held with Mr Ion Popescu, President of the Meridian Trade Union Confederation, and others of his colleagues.

II. THE CONTEXT

(i) Rosia Montana and its region

Rosia Montana is located in the middle of the Monti Apuseni (the westernmost part of the Romanian Carpathians) close to the headwaters of the Aries River (part of the Danube River basin through the Mures and Tisza Rivers). Access to the area is by slow winding roads through the mountains, with the nearest towns being Alba Iulia (headquarters both of the relevant county administration and of the Rosia Montana Gold Corporation) which is around 80 km away and Cluj, which has the nearest airport and is around 120 km away.

Rosia Montana itself is located at over 700 metres up a side valley to the east of the main Aries Valley, where the main local centre of Abrud (with 13,000 inhabitants) is located. Another side valley to the south of Rosia Montana (the Corna Valley) also contains a number of settlements, and would be particularly affected by the new project (with the 185 metre tailings dam, and the large pond behind it) which would cover a large area between the Corna and Rosia Montana valleys.

By Romanian mountain standards this region of the Munti Apuseni is relatively densely populated, with houses high up on the mountains. The area has been heavily dependent on gold mining since before Roman times and there are still a large number of mining tunnels from Roman, medieval and Austrian-Hungarian times, creating a cultural and industrial archaeological site of potentially great importance. More recently, deep pit mining has been supplemented by opencast mining both of gold and of copper. The region is disadvantaged by its inaccessibility, and tourism, notably agri-tourism, is only on a small scale in spite of the beauty of the region. According to the Romanian Ministry for Prognosis' 2002 official census data 22% of the population is engaged in mining. There is comparatively little other employment in the region.

The area is already suffering from considerable pollution, with large scars from existing opencast mining, tailings, dams, waste dumps, and abandoned equipment. There is also considerable pollution of local rivers, such as the Rosie and Abrudel streams that flow into the main Aries River.

(ii) The proposed project and its current status

Gold has been mined in the Rosia Montana region since pre-Roman times. Underground mining was extensive in the Roman and medieval periods, as well as in the 17th and 18th centuries. In recent years there has been both underground and opencast mining. Although many of the richest ores have been exploited very extensive resources of lower grade still remain.

From 1997 Gabriel Resources, a Canadian mining company, founded by Frank Timis, who had been born and brought up in Romania, has been identifying these resources and preparing a large-scale mining project that would replace the current mining operations. The reserves that have already been identified are extremely large even in world, let alone in European terms, but are of low grade and thus require very large-scale operations to be commercially viable. The current estimate is of deposits of 218 million tonnes of ore from which 331 tonnes of gold would be extracted over an estimated mine life of around 16 years. 1600 tonnes of silver could also be extracted, although this appears very much of secondary importance. At any rate, the proposed gold mine would certainly

be the largest in Europe. There are likely to be subsequent increases in proven resources (neighbouring areas, for example, have not been fully explored), and the life of the proposed new mine could thus be longer than the initial estimate of 16 years. Around 500 new jobs would be created in direct mining activities and there would also be a temporary boost in employment during the construction phase.

The Rosia Montana Gold Corporation that is preparing the project is a joint venture company which is 80% owned by Gabriel Resources, 19.7% by the Romanian Mining Company Minvest (which owns the existing mining operation) and 0.3% by three small companies. Until any production begins, Gabriel has to provide all of the necessary funding.

The proposed project for a large open-cast mine spreading over 700 hectares would have a large number of potential impacts on the local environment, on local people and on Rosia Montana's cultural heritage. Much of the Cornu valley and the area between it and the Rosia Montana valley would be completely transformed, and its existing aspect would disappear. Among the more controversial environmental features would be a 185-metre high earth dam to create a large tailings pond and the use of cyanide leaching technology. 900 houses would have to be pulled down and the over 2000 people affected would either have to be resettled in new houses in one of three locations (in Pietra Alba on a hill above the Rosia Montana valley, in the nearby town of Abrud or in the more distant but larger local county town of Alba Iulia) or else relocated (given financial compensation so that the people affected can then move to a place of their choice).

A further sensitive point is that 7 or 8 churches of different religious denominations and several cemeteries are in the affected area and would disappear in their present locations. Another potentially controversial set of impacts is on the remarkable industrial archaeological heritage of the Rosia Montana area, with its set of Roman and other mine galleries and other remains such as a Roman mausoleum.

The Rosia Montana Gold Corporation has already spent a considerable amount of money, not only in identifying the resources, but in wider feasibility studies, in assessing environmental considerations, etc. It has helped to finance archaeological research (led by French archaeologists from Toulouse). Most controversially, and before the project has got the go-ahead from the Romanian authorities, the company has been offering resettlement and relocation packages to a large number of the people who would lose their homes.

The Rosia Montana Gold Corporation has still not submitted a formal environmental impact assessment statement to the Romanian authorities. Initial procedures were begun in October 2002, but the formal impact study had not been issued before the Romanian legal framework changed with the entry-into-force of new environmental impact assessment legislation meant to be in line with the European Union acquis.

There were subsequently a number of other important developments with a bearing on the project. Firstly, there were significant managerial changes in Gabriel Resources. Frank Timis, Chairman and founder of the company, resigned along with a number of his colleagues, although Timis has remained as a significant shareholder. A new management team was then installed with Oyvind Hushovd (the former President of Falconbridge Mines) brought in as Chairman and Chief Executive

and with Richard Hill becoming Vice President for operations of Gabriel as well as Managing Director of the Rosia Montana Gold Corporation.

With different members of the Romanian government giving conflicting signals as regards their views on the project, the Prime Minister asked the Romanian parliament to set up a Special Committee to analyse the project. On 23 March 2003 a Special Joint Committee of the Romanian Chamber of Deputies and Senate was established for this purpose with 13 members and under the chairmanship of Mr Sassu. At the time of our visit the Special Committee had established its draft report (with its broadly favourable conclusions adopted with three dissenting votes), but this had not yet been considered by the full parliament. In May 2003 the Romanian Academy of Science adopted a severely critical study of the project, considering that its potential disadvantages outweighed the likely benefits for Romania.

The company is currently working on a revised impact statement in line with updated Romanian law, and it is expected that this will be submitted some time in the spring of 2004. All the reports and studies that have already been issued have thus been drawn up in the absence of the company's final impact statement. Once submitted, the company's statement will have to be examined by the Romanian authorities with a view to final approval or disapproval of the project required, and with a variety of permits (water and sanitation, archaeological and environment) being required. The time that will be taken to reach such a decision is still unclear, with a complicating factor being that Romanian elections are going to be held next year, and it may be simpler to take a decision after these have taken place. The EU is not involved in this process but has advised on the need for Romania to adapt to the changing *acquis* in this area, and has also supported a project to advise the Romanian authorities on the environmental impact assessment criteria. Romania was also consulting with neighbouring states, notably with Hungary.

III. RANGE OF VIEWS ON THE PROJECT

(i) *Overview*

Most of those who met with the delegation held strong views for or against the project. The project was strongly defended by those in the pro Rosia Montana NGO, many of whom work in the mining industry, as well as by the trade union officials met in Bucharest. A majority of the government party representatives in the Special Parliamentary Committee were also in favour, although one was critical of the project. The project was strongly opposed by all those in the Alburnus Maior NGO, by the President and section leaders of the Romanian Academy of Science and by the parliamentary representatives of the opposition party, Romania Mare, in the Special Parliamentary Committee, as well as by Gheorghe Funar, the Mayor of Cluj. The delegation was able to see for itself that the village of Rosia Montana was seriously polarised on the issue. This also applied to the two parliamentarians from the Apuseni Mountains who were members of the Special Committee, with one being in favour and one against. The delegation was informed that local politicians were also divided, with the mayor of Rosia Montana being in favour (after having initially opposed the project) and other local mayors being more hostile.

(ii) *Arguments used by supporters of the project*

The supporters of the project point out that the work carried out so far has demonstrated the large scale of the mineral resources available and the economic viability of exploiting them. This would be Europe's largest gold mine and would be of major significance both for a poor country like Romania and also for the local economy in the Apuseni Mountains.

To those who claim that the mining activities would be of only limited duration, the supporters argue that currently identified resources will probably be supplemented by further reserves as exploration continues (notably in valleys to the south and east of the proposed project), and that the duration of mining operations may well be considerably longer than the current estimates of 15 or so years. To those who point out that the World Bank is not going to finance the project they argue that the World Bank has not questioned the economic viability of the project but considers, instead, that the project is able to stand on its own feet without World Bank assistance.

Supporters of the project also point out the lack of realistic alternatives as regards the economic and social development of this part of the Apuseni Mountains. They admit that the number of jobs to be created will not be very great in absolute terms, but that this is still significant in an area that is considerably poorer and more disadvantaged than the Romanian average. The existing mines would have to close shortly and the new project would succeed in maintaining a number of traditional mining jobs in the valley. Suggested alternatives, such as agri-tourism would only bring in a handful of jobs and were no proper substitute.

Supporters of the project recognise that the scale of the project will have considerable consequences on the physical environment and indeed that the low grade of the ore means that the project must be on such a large scale to be economically viable. There will thus be great impact on the landscape in the Cornu and Rosia Montana valleys. They point out, however, that the current state of the environment is very poor and that existing mining operations took little or no account of environmental factors. The proposed project has thus led to a proper environmental inventory for the first time, and the new project would be subject to more systematic environmental management than in the past.

To critics of the project who have pointed to the likely loss of much of the industrial archaeological heritage, the supporters of the project contend that it has resulted in a much more systematic evaluation of the existing cultural heritage than had ever been the case before. One of the legacies of the project could be a proper local museum. At any rate, one part of the historic site would be protected and preserved from exploration under the proposed management plan.

Supporters of the project also defend it from a technical point of view. In particular they consider that the attacks on the proposed use of cyanide leaching technology are unfair. Use of cyanide may have emotive connotations, but it is used in a large number of existing gold mining projects. The proposed Rosia Montana project would contain greater safeguards and imply the use of very different technology than in the case of the Baia Mare project.

On the issue of resettlement and relocation of the people who would have to move to make way for the project, the project's advocates claim that those who have already accepted one of the packages

on offer have done so on an entirely voluntary basis. Some of the churches that would have to go would be replaced elsewhere.

Finally, the project's supporters claim that it will only be approved and implemented if it contains the necessary safeguards and if it is in conformity with the Romanian legal framework, which is itself increasingly coming into conformity with European Union standards and legislation.

(iii) *Arguments used by opponents of the project*

The opponents of the project have a wide range of concerns, held in different measure by different people. Firstly, there is widespread concern about whether the project will really lead to sustainable development. The project needs to be on a large scale to be economically viable, will thus have major impacts on the local environment and on cultural heritage, and yet it is only of relatively short duration. At the end of the project (which could be somewhat longer than currently predicted, but could also be cut short if the economics of the project change or if the operator runs into trouble), the environmental and other problems caused by the project will still be there, whereas the undoubted economic and social problems of the area will not have been solved on a longer term basis.

Critics of the project point out that relatively few jobs will be created, some only on a very temporary basis during the construction phase, and the others for still a relatively short period. They thus put much more emphasis than do the supporters of the project on the creation of alternative and more sustainable jobs in the region, whether in the form of new services or small industries in the local towns and villages or in the form of environmentally friendly tourism in the rural areas, based on the beautiful scenery, traditional way of life of the region and on its unique industrial archaeological heritage.

The critics of the project are also worried about many of the environmental and other impacts of the project. The most emotive concerns are those concerning the use of cyanide leaching technology, especially in the light of the environmental disaster at Baia Mare. A number of local people are also concerned about the construction of a 185 metre high tailings dam only a few kilometres upstream from the main local centre of Abrud.

More generally, many people are worried about the sheer scale of the project that would lead to a complete alteration of the landscape in the Cornu Valley and on the watershed between it and Rosia Montana. They point to the large scars caused by existing mines, such as the nearby copper mine of Rosia Poieni, and claim that the new mine would be much larger and have far greater impacts. In addition to the direct damage, there would be all sorts of indirect environmental impacts, such as the damage caused by the highly increased level of lorry traffic on local roads. The critics are also concerned about what will happen if the project is suddenly terminated for economic or other reasons, and about whether there will be proper rehabilitation of the affected land.

The critics are not reassured by the plan to protect some of the existing cultural heritage. Some of the Roman and other historic ruins and tunnels might be preserved but others would be destroyed forever. The displacement of a number of churches and especially of cemeteries is a particularly emotive subject. Most obviously resented of all is the scale of the proposed relocation and resettlement of local people from houses and land where their families may have lived for generations. A number of people feel that they are under pressure to move and do not understand why they should do so even before the project has been approved by the Romanian authorities.

Another critical line of argument relates to the perceived imbalance between the number of beneficiaries and the number of those potentially suffering from the project, at local, national and cross-boundary level. At local level the limited number of miners, construction workers and other potential beneficiaries are counterbalanced by those who would have to move or feel threatened by the potential environmental impacts. The critics argue that the majority of local mayors are thus against the project (with the exception of the Mayor of Rosia Montana who had changed his mind) and they believe that a regional referendum should be called for.

At a national level, some of the critics contend that the proposed project is too skewed in favour of the company, and too little in favour of the Romanian public interest, with too few of the profits likely to go to the Romanian exchequer.

There are also potential cross-boundary effects, in that any serious environmental problem could have a catastrophic impact on the Tisza and Danube watersheds. Hungarian local authorities in the Tisza basin are thus particularly concerned about the project, especially in the light of the Baia Mare and later Baia Borsa disasters.

Opponents of the project are also concerned about Gabriel Resources' lack of a mining track record and also about Frank Timis' (the company founder) background and the fact that he has been forced to resign (while remaining an important shareholder). The new team clearly has far more relevant experience, but critics still express their surprise that a start-up mining company should have been given a privileged position in the establishment of such an important project.

IV. CONCLUDING COMMENTS

The delegation's visit enabled it to get a much clearer idea of some of the implications of the project and of some of its possible advantages and disadvantages. It would clearly be premature for the European Parliament to draw any detailed conclusions at the current stage in the project's development, before the environmental impact assessment procedure has been concluded, before a firm go-ahead has been given to any project, before the conditions attached to any approved project are known and before the degree of its conformity with European Union environmental law (including the forthcoming new acquis of the mining waste directive and the EU groundwater directive) can be properly assessed. Nevertheless, the scale of the proposed project and the controversial nature of some of its features mean that the project's future development should continue to be carefully monitored by the European Parliament in terms both of its conformity with relevant EU environmental law and also in terms of what it shows about Romanian adaptation to the European Union acquis in the run-up to its likely accession to the European Union.