

June 9, 2006

MR. KYOSUKE SINOZAWA
Governor
Japan Bank for International Cooperation



Dear Mr. Sinozawa:

Greetings of Peace!

We, the undersigned organizations, are members of the Mine Watch Group of the Palawan NGO Network, Inc. ("PNNI"). PNNI consists of non-government organizations and peoples organizations based in the island province of Palawan, the Philippines whose thrust includes the promotion of social justice, genuine citizen's participation and effective resource management. To this end, PNNI seeks to enable poor and marginalized communities to sustainably manage the natural resources of Palawan through active participation in local governance.

We write to you to express our alarm at the proposed expansion of the Hydrometallurgical Processing Plant ("HPP") of Coral Bay Nickel Corporation ("CBNC") currently operating in the Municipality of Bataraza in Southern Palawan. As you may know, CBNC is joint venture among Rio Tuba Nickel Mining Corporation ("RTNMC" -- a Philippine Corporation), Sumitomo Metal Mining Co. Ltd., Mitsui and Co., Ltd., and Nissho Iwai Corporation.

As we gathered that your agency will be the primary funding source for the expansion, we wish to convey to you our vehement opposition to the same.

From its inception, our group has opposed the HPP project. Its proponents claimed that the project would generate US\$53.5 million (or PhP2.9 billion at the then prevailing exchange rate) annually for its 20 years of operation, which figure includes employment opportunities, locally-made purchases and benefits from the improvement of trade and commerce. However, even assuming this to be so: (a) we doubted whether this promising scenario would actually translate to concrete and commensurate benefits to the project's host communities and to the Province Palawan in general, given RTNMC's poor track record in its 25 years of mining operations in the Municipality of Bataraza; and (b) we believed that the project would come at a tremendous social and environmental cost, which the proponents failed to consider.

In a Position Paper prepared by the Environmental Legal Assistance Center for PNNI in 2001, our group expressed its position, as follows:

- (a) the HPP project violates various laws, policies and guidelines, including, among others: Indigenous Peoples' Rights Act (Republic Act No. 8371),

Philippine Mining Act (Republic Act No. 7942); Philippine Environmental Impact Statement System and its guidelines; National Caves and Caves Resources Management and Protection Act (Republic Act No. 9072); Strategic Environmental Plan (“SEP”) for Palawan Act (Republic Act No. 7611) and the SEP's Guidelines on the Environmentally Critical Areas Network (“ECAN”); Philippine Clean Air Act of 1999 (Republic Act No. 8749); Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 (Republic Act No. 6969) and its Implementing Rules and Regulations; Forestry Code (Presidential Decree No. 705, as amended); and National Integrated Protected Areas System (Republic Act No. 7586); and

- (b) the HPP project’s Environmental Impact Statement (“EIS”) suffers from several infirmities that serve to highlight the inability of the proponents to comply with existing environmental policies and standards.

For your reference, a copy of this Position Paper is attached to this letter as **Annex A**. Unfortunately, the defects we have pointed have not been rectified to date. On the contrary, some of the fears we expressed have been proven to be correct.

The HPP project’s supposed economic benefits appear to have been overstated.

Right from the start, PNNI and the host communities have been consistent in asking RTNMC and CBNC to conduct a cost-benefit analysis to ensure an appropriate valuation of the potential health and environmental costs of the HPP project vis-à-vis its economic benefits. Not only have they failed to do this, it also appears that the promised economic benefits have not been translated into actual gains for the Province of Palawan.

For instance, with regard to the claimed employment opportunities, records of the Palawan Provincial Public Employment Service Office show that 70% of the laborers hired in connection with the construction of the HPP were not from Palawan, but from the Visayas.

To begin with, our fears were not unfounded. Prior to the HPP project, RTNMC has been engaged in mining operations in Bataraza for 25 years and all this time, RTNMC has demonstrated a poor track record in delivering its commitments. To illustrate, RTNMC has yet to make good of its commitment to compensate farmers and landowners from the village of Rio Tuba, whose lands have been inundated with laterite as a result of RTNMC’s mining operations.

Moreover, RTNMC’s mining operations has not brought genuine development to the Municipality of Bataraza. In the Poverty Mapping conducted by the Peace and Equity Foundation in 2005, which study was based on indicators such as income, education and health, Bataraza was found to be the poorest municipality in the province.

The HPP project has given rise to various health concerns in the host communities.

The HPP project has given rise to various health concerns, including: (a) the outbreak of skin lesions among residents (mostly children) of the village of Tagdalungon, situated near the HPP's sulfuric acid unloading site; (b) excessive heat and difficulty in breathing experienced by communities surrounding the project's coal stockpile area; and (c) the pungent odor emanating from the HPP. Representatives of the Department of Health and the University of the Philippines-National Poison Management and Control Center who conducted an ocular inspection concluded that the smell can be attributed to sulfur containing compounds. To date, these issues have been left either unaddressed or unexplained.

Pictures of documented cases of skin lesions are attached to this letter as **Annex B**.

The operations of the HPP will not be sustainable without violating existing environmental policies.

From the start, RTNMC and CBNC have represented that the HPP project was intended to enhance the resource utilization capacity of RTNMC through the processing of existing low-grade nickel ore stockpiled in the company's mining area. However, recent events revealed that this representation has not exactly been forthright.

In a letter to the Palawan Council for Sustainable Development ("PCSD") dated April 19, 2006, RTNMC sought to reclassify portions of Mt. Bulanjao in Bataraza that are presently designated as "Core Zones" as to allow mining therein. (Under the PCSD's ECAN Guidelines, "Core Zones" are areas of strict protection which shall be maintained free of human disruption.) In its letter, RTNMC claims that Mt. Bulanjao "contains a sizeable deposit of nickel ore which can considerably extend the economic life of RTNMC's mineral properties. This will serve as the main source of the ore feed which will justify and support the projected expansion of the processing plant of [CBNC] from its present capacity of 10,000 tons of nickel per annum to 20,000 tons of nickel per annum."

Thus, based on RTNMC's own admission the HPP project's operation is not sustainable and its expansion would hinge on the conduct of mining operations in areas yet unexplored. To make the latter possible, however, existing "Core Zones" would have to be reclassified into lower-graded zones. Under the ECAN Guidelines, "Core Zones" include areas above 1,000 meters in elevation, virgin forests or primary growth forests, areas with steep gradient (above 50% slope), and critically threatened/endangered habitats and habitats of rare endangered species or habitats of Palawan local endemic species of flora and fauna. Yet, RTNMC and CBNC have failed to advance any justification or basis for the declassification of Mt. Bulanjao as a "Core Zone" apart from

the assertion that mineral deposits in the latter is needed to support the HPP' operations. Further, it does not appear that the requirement under the ECAN Guidelines that community consultations be conducted prior to reclassification has been complied with.

In view of the foregoing, we earnestly urge you to reconsider your agency's decision to fund the expansion of the HPP project. We strongly believe that any expansion of the HPP will only perpetuate the ills we have earlier pointed out, which remain unaddressed to this date.

Thank you very much.

Very truly yours,

Bangsa Palawan Philippines, Inc.

By:

Conservation International

By:

Institute for the Development of
Educational and Ecological Alternatives

By:

Ligaya ng Buhay Community
Development Foundation

By:

PANLIPI (Tanggapang Panligal ng
Katutubong Pilipino)

By:

Commission on Social and Special
Concerns-Indigenous Peoples Apostolate

By:

Environmental Legal Assistance
Center

By:

Land of Paradise Community Development
Foundation

By:

Nagkakaisang mga Tribu ng Palawan

By:

Northern Palawan Community
Development Foundation

By:

SAMMI Foundation

By:

World Vision

By:
