

Position Paper: ADB should not finance the Phulbari Coal Project

(Version 1)



People of Phulbari gathered to protest against the Phulbari Coal Project (August 2006)

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JACSES

Japan Center for a Sustainable Environment and Society

Preface

Phulbari Coal Project is located in northwest Bangladesh, and it plans to produce 520 million tons of coal (soft coal) by open-pit mining in a period of 30 year. The project aims to contribute to Bangladesh's economy by providing and stabilizing energy source, and by promoting foreign direct investment in northwest Bangladesh through the establishment of a new import/export corridor.

Currently, Asian Development Bank (ADB)¹ is considering a private sector loan (US\$100 million) and political risk guarantee² (US\$200 million) to a UK based company, Asia Energy Corporation³ for this project. The ADB's board approval⁴ for this project is expected in October 2007.



However, Phulbari Coal Project already has many problems as follows, therefore, Japan Center for a Sustainable Environment and Society (JACSES) strongly recommends that ADB should not finance the Phulbari Coal Project.

1. Massive Displacement

According to the ADB management, Phulbari Coal Project would create approximately 50,000 affected people (12,000 affected households, includes 2,200 indigenous peoples) in the project area, and 43,000 people will be displaced. According to the Resettlement Plan for Coal Mine Area of Phulbari Coal Project⁵, compensation would be provided to legal owners of land and houses, and other socially recognized agricultural land users and sharecroppers would receive livelihood restoration grants for a period of two years. However, due to the non-transparent and unaccountable processes of planning stage (see 2-4 below), we are deeply concerned about its effectiveness and social and environmental

¹ ADB is a multilateral financial institution, which was established in 1966. It aims to support its member's countries economic development and improvement of the welfare of the people in Asia and the Pacific. Japan is the largest donor of ADB and all the past presidents of ADB were Japanese.

² A political risk guarantee promotes a private investment by offering compensation for losses such as confiscation of assets, war and an internal disturbance due to the political changes.

³ In March 2000, major shareholders of Asia Energy Corporation were Deepgreen Minerals Corp (65%) and Barton Capital Holdings Ltd (29%). Current major shareholders are RAB Capital(15%), Fidelity Group (13%) , UBS AG (11%) , and Liberty Square Asset Management(5%).

⁴ In ADB, approval of individual projects, administration matters, and policies are decided by the Board of Directors, which is constituted by 12 Executive Directors from different countries. The voting share of an ADB member country is a direct reflection of its shareholding. Japan and the United States equally hold the largest voting share (12.8 %) in the Board of Directors. Japanese Executive Director's decisions are mainly made by the Japanese Ministry of Finance.

⁵ When an involuntary resettlement occurs due to a development project, ADB requires the project owner to make a resettlement plan. This is a one of the essential requirements for project approval by ADB.

performance of the project.



Farmers who would be affected by the project

2 . Serious Human Rights Violations

There are serious human rights violations such as killing, torture and threat in Phulbari.

(1) Indiscriminate open fire on protestors

In August 2006, more than 20,000 local residences conducted the protest rally against the Phulbari Coal Project. The Bangladesh Rifles, a paramilitary force, opened fire on the protestors and 5 people including a 14 year old boy were killed and more than 100 people were injured⁶.

(2) Malicious Arrest and Torture

In February 2007, one of the leaders of the anti-project movement, Mr. S. M. Nuruzzaman was beaten up by the joint forces in the Phulbari marketplace and he was jailed thereafter⁷. According to the National Committee to Protection of Oil, Gas, Mineral Resources, Power and Port (leading organization of the Phulbari movement), the joint forces detained Mr. Nuruzzaman on a false charge and Asia Energy Corporation officials misguided the joint forces regarding the committee, which then lead to his arrest⁸.

(3) Threat by UK Government

When Nasreen Haq (an Actionaid Bangladesh Campaigner who died from a car accident in April 2006) raised concerns against Phulbari Coal Project to Asia Energy Corporation, the UK Department for International Development (DFID) asked her to withdraw from the anti-Phulbari campaign and warned her that it could threaten future funding for Action Aid Bangladesh⁹.

⁶ <http://www.newagebd.com/2006/aug/27/front.html>

<http://www.minesandcommunities.org/Action/press1199.htm>

⁷ <http://www.thedailystar.net/2007/02/23/d70223020325.htm>

⁸ <http://www.newagebd.com/2007/feb/12/front.html>

⁹ <http://observer.guardian.co.uk/world/story/0,,1863721,00.html>



Children joining the protest in August 2006.



Mother of the victim. Her son attended the protest, and was shot to death by BDR.

3. Inadequate Consultation and Information Disclosures

Many local people (e.g. elected commissioners, Chairman of the Phulbari Powshawara (township) and indigenous leaders) complain that Asia Energy Corporation has not conducted adequate public consultation and information dissemination.

(1) Insufficient Explanation during the Consultation

Many local people and elected commissioners pointed out that during public consultations on the Phulbari Coal Project, Asia Energy Corporation only told about the project benefits, and did not explain negative impacts such as environmental harms caused by the project and mitigation measures against the impacts.

(2) Rejection of Disclosure Requests

ADB claims that Asia Energy Corporation is appropriately disseminating project information. However, Asia Energy Corporation did not respond to requests of elected commissioners, Chairman of the Phulbari Powshawara and indigenous leaders, and did not provide important documents (e.g. Environmental Impact Assessment, draft Resettlement Plan and draft Indigenous Peoples Development Plan, etc). This is a violation of the Public Communication Policy of ADB.

4 . False Information collected by ADB

There are many problems with ADB's information collection regarding the Phulbari Coal Project.

(1) False Information on Local People's Support

ADB management stated that Asia Energy Corporation has gotten public support from local communities and mentioned that 80 percent of visitors to the Information Center¹⁰ are supporting the

¹⁰ Institution which provides project information regarding the Phulbari Coal Project

project. However, Mines and Communities, a British CSO, stated that when they inspected the visitor's book at the Information Center, the majority of supporter's names were people from outside of Phulbari, and many other signatures could not be verified¹¹. Moreover, more than 20,000 people gathered to protest against the project, and this also shows that Phulbari Coal Project does not have a broad community support.

(2) False Information on Protestors

ADB claims that more than 20,000 demonstrators of the protest rally in August 2006, mostly came from outside of Phulbari. However, the local people claimed that most of the demonstrators were actually from the Phulbari area and all the victims who were killed by Bangladesh Rifles during the protests were the local people of Phulbari. Pictures provided by local communities show that people from all ages as well as women attended the protest.

(3) False Information on the Information Center

When JACES pointed out the problem of information dissemination (see 3 (2)), ADB responded that information has been, and is available at the Information Center in Phulbari. This is a false statement, since the Information Center had been closed after August 2006 when Asia Energy Corporation was forced out of Phulbari. This shows that ADB is not aware about the actual situation in Phulbari.



Protest Rally against Phulbari Coal Project, led by children from the local area.



Office of Asia Energy Corporation. Staff has been out since August 2006.

5 . Low Economic Merit for Bangladesh

Asia Energy Corporation is obliged to pay to the Government of Bangladesh a royalty of 6 per cent of the sale value of all coal produced and sold pursuant as a Mining Lease¹². However, when BHP Billiton (a giant mining company) sold the license for exploration and mining at Phulbari to the Asia Energy Corporation, its royalty was 20 percent. This means that royalty was decreased from 20 percent to 6

¹¹ <http://www.minesandcommunities.org/Action/press1199.htm>

¹² http://www.asiaenergy.com/presentations/Asia_Energy_Prospectus.pdf

percent without any legitimate reasons to justify an extremely low rate of royalty. In addition, Asia Energy Corporation has been promised 9 years tax holiday, low import duties, investment allowance, and no export duties¹³. This is another additional benefit to Asia Energy Corporation and less benefit to the Bangladeshi government as well as to the people living in Bangladesh.

Conclusion

The Phulbari Coal Project has problems such as tremendous impacts from massive displacement, serious human rights violations, inadequate consultation and information disclosure, false information collected by ADB and low economic merit for Bangladesh. Therefore, JACSES strongly recommends that ADB should not finance the Phulbari Coal Project.

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¹³ Minesite : March 22, 2004 <http://www.minesite.com/>