

Closing Address
2005 Mine Closure Planning Workshop
Tabubil Golf Club, Friday 28 October
Keith Faulkner
Managing Director
Ok Tedi Mining Limited

“The Ok Tedi Dilemma”

Ladies and gentlemen, good evening to you all.

This evening we are honoured to have senior Ministers of the National Government and a member of the Provincial Government here with us.

From the National Government we have the Treasurer, the Honourable Bart Philomen, the Minister for Mines the Honourable Sam Akoitai and the Minister for National Planning and Rural development the Honourable Arthur Somare.

From the Western Province - the Honourable Martin Tabi , member for North Fly.

We also have the Secretaries of the Ministries I mentioned and a representative from the Department of Environment and Conservation.

But we also have many representatives from National and provincial Government and Administration, Churches, business, landowners and many others who have been giving their time over the past two days to the challenging task of thinking through and planning for the time when the great Ok Tedi mine is no more.

Thank-you all for your attendance and your contribution to the Mine Closure Planning Workshop.

Unfortunately, other duties have kept me away but I understand it was a successful collaborative effort, high on energy and input.

A word of thanks to the Ok Tedi team, particularly Ani Topurua, Musje Werror, Namo Sion and the others who have put together a very successful workshop.

I want to take this opportunity to repeat a few things I said in opening the workshop. Those comments were meant to put that dilemma that is Ok Tedi squarely into the context of your workshop.

Today, planning a mine start up also includes planning the closure.

Modern practice is to take into account the full life cycle of the project.

It is a necessary step, since the enthusiasm of miners, communities and governments to have development take place and gain its benefits can blind these stakeholders to the problems and difficulties development can bring, and leave behind.

Without that full life cycle plan, when you come to closure the final legacy of the development project can be, or be seen to be, socially, economically and environmentally negative, like a long term hangover.

Ok Tedi came into being in an era when planning for closure at the start up did not have the same focus it does, or at least should have, today.

I acknowledge Warren Dutton's comment that the full cycle was considered in the original agreements for the Ok Tedi project, but the closure considerations got lost in the dilemma of Ok Tedi's growing environmental impacts and growing economic importance.

And as we are planning for closure at Ok Tedi, it is becoming increasingly clear that we are at risk of leaving a negative legacy.

Ok Tedi has a direct impact on thousands of lives here in the Western Province and many more throughout the country since Ok Tedi is such an important part of the national economy.

Insufficient thought was given 25 years ago and since then to the effects of its eventual closure and its social and environmental impact, in particular, was grossly underestimated.

The Mine Closure Planning process required of us by statute is also required of us by moral and social responsibility.

That responsibility divides into three phases – what we need to do now, what we need to do at transition to closure, and what we need to put in place for posterity.

I want to focus this talk on the now aspect.

We all know that this region should have seen greater benefits and more sustainable benefits than it has in the 25 years OTML has been in existence.

And if we do not focus our efforts from now through until mine closure that will not change.

Mine closure planning is complicated and demands our close attention.

With goodwill and effort we can put a sensible plan for the region and the Province in place, consistent with the Government's Medium Term Development Strategy and consistent with Province's vision for the future.

And OTML can throw its experience, expertise and capacity to get things done behind the plan.

But above all it takes political will to make it happen.

The best plan in the world is empty without the drive to see it through.

The job of closing the mine after decades of operating is complex, difficult and affects thousands of people.

But that's what we've been accustomed to at Ok Tedi, complex problems, difficult conditions and affecting thousands of people.

Ok Tedi was a tough project to get started in the first place 30 years ago.

Before the first production of copper there came the devastating collapse of the tailings dam built on the Ok Ma.

The same mountainous terrain and high rainfall that drove construction costs to 1.5 billion US\$ (in 1980's dollars) also prevented that tailings dam from being completed, and the project was compelled to dispose of waste and tailings into the river system.

As the mine was a significant part of PNG's emerging and independent economy, the answer at that time was for the government to permit riverine disposal.

It was judged to be an adequate, not ideal, but necessary method for waste disposal while a different solution was found.

In spite of many feasibility studies and research, no permanent solution has been found.

It was believed that the river system could handle that waste.

Then reports started coming in from the people living along the river to our community relations department.

They told us that the sediment build-up from those tailings in the river was causing over-bank flooding that was causing floodplain forests to die.

These people who had gardened for centuries along the Ok Tedi and Fly River were being forced to plant their gardens further and further away from their villages because of the flooding.

The dilemma of Ok Tedi began to present itself yet again, now on a wider stage.

In 1996, with the out of court settlement, the 8th Supplemental Agreement and the Heduru general compensation fund, the Ok Tedi dilemma was resolved in favour of continuation of the mine.

Later in the 90's the Human Health and Ecological Risk Assessment was conducted. Options for mine waste management were examined.

From the environmental perspective, the best solution was to close the mine.

The World Bank review of these assessments agreed with that. Not so easy as we all know at Ok Tedi.

I know I am repeating myself to the people assembled in this room when I say that the contribution that Ok Tedi makes to the PNG economy is profound; around 25% of export earnings, 15% of GDP, probably around 20% of tax receipts.

And, as a deliverer of development in a poor and remote part of the country, to the health and progress of the people of Western Province, as an employer of Papua New Guineans from all over the country, great hardship would befall the people that depend on this great mine if it closed.

At its most extreme, there was the distinct possibility that people would be without food to live on if the mine shut down without replacement economic activity.

The World Bank also acknowledged that early closure was not really an option.

Our experience is that critics of Ok Tedi, when they become familiar with this dilemma, throw up their hands and effectively say "too hard for us" and go away.

It's much harder to stay and try to deal with the dilemma.

OTML's response to the sediment issue was to commence a dredging trial in the Ok Tedi to take sediment out of the river system.

We've seen significant reduction in river bed aggradation, overbank flooding and re-growth of the forest resulting from dredging of the Lower Ok Tedi.

At this time, around 1999/2000, BHP Billiton decided it had had enough and was contemplating early closure of the mine.

That dilemma of Ok Tedi - its damaging environmental impact up against its social and economic importance to PNG and the people of the Western Province and the Fly River system - was resolved this

time by a decision by the people of the system and the Government to continue the mine.

Through the Community Mine Continuation Agreements that were signed by representatives of the communities, OTML and the PNG Government, a balance was struck between the competing environmental, social and economic issues presented by the mine.

PNG took a sovereign decision to continue the mine through to an orderly closure at the end of its current mining phase.

It was judged by the various stakeholders in that extensive consultation process, that, on balance, the benefits outweighed the known negative environmental outcomes of mining at Ok Tedi.

The immediate threat of closure passed, BHPB left the project and the mine has since prospered well beyond the original expectation. We were beginning to find solutions to the development problems and move toward improving the lot of the impacted communities.

Not always successful but developing a constructive relationship.

In what has become expected at Ok Tedi, the situation turns out to be far more complex, far more difficult.

Now the Ok Tedi dilemma resurfaces again.

Our environmental monitoring and modelling of the future is showing that the sedimentation effects, particularly in the Middle Fly, will last longer than we thought.

And that acid rock drainage, the product of oxidation of sulphur in the tailings, may have a greater impact than previously thought.

We have also seen the effects of these oxidation products on the levee banks in the Middle Fly.

The real problem of the oxidation, or ARD, is that metals can be released into the environment potentially affecting plants and animals.

While there's no direct human impact, there is an impact on the river ecology.

The river is under stress. There are fish in the system, and they are edible.

The water is still drinkable as long as the areas of evident oxidation are avoided.

The produce from gardens is still safe to eat.

We have met many times with communities and their leaders to tell them of the picture that is emerging.

And, in what is possibly the embodiment of the Ok Tedi dilemma – a bitter paradox – the dredged sands that have reduced the die-back, are presenting long-term management problems with acid rock drainage from sulphur content in the sands and the potential to release copper and other metals into the river, particularly under certain climatic conditions.

The balance that was struck five years ago with the government and the communities needs to be reset again.

OTML is undertaking studies and trials to see how we might be able to mitigate these current and future impacts.

We are examining how we might take the sulphur out of the tailings stream, which is not so difficult, but the challenge is to remove sufficient to reduce the problem to satisfactory levels.

And then safely secure it so that it cannot eventually be released catastrophically into the environment.

The alternative is to change mine plans to reduce the amount or the rate of discharge of sulphur into the river.

We need to discuss with the communities their rights under the CMCA's to reset the compensation packages.

We need Government's involvement for several reasons. The ultimate decision of the people was confirmed by the Parliament they must monitor changes to the social benefits. Our environmental regime is aimed at providing the information government needs as regulator.

And Government must ensure that local and indeed international responsibilities are not breached.

We need to understand the costs and benefits of any mitigation strategy so that we know that implementing any vastly expensive strategy is actually worthwhile in the overall picture.

And ultimately we all need to strike the right balance of those competing environmental, social and economic factors.

That's not something that OTML can do on its own.

It is something that we can contribute to, but ultimately deciding that balance is the responsibility of the affected communities, the elected representatives of the province and the nation, and the management and shareholders of OTML.

When I came to Ok Tedi over four years ago now, BHP Billiton was the majority shareholder.

When BHP left the project, and their 52 per cent shareholding went to the PNG Sustainable Development Program Limited, OTML became a very different company.

Eighty-two percent of the mine's profits go to the PNG people. It is now very much a PNG company, not a subsidiary of a global mining company.

As managing director of this PNG mining company, I am at the sharp end of another Ok Tedi dilemma.

And it's as uncomfortable as it sounds, I can tell you.

As I see it, my job is to make sure OTML puts in place the right conditions for that discussion about resetting the balance to take place.

That means open, transparent and frank communication of the facts, listening to the stakeholders and facilitating those remote communities' voices being heard.

We will continue to run an efficient, world-class copper mine, and vigorously pursue ways to mitigate the sediment and sulphur impacts.

But, ultimately, it is not up to us alone to decide what the appropriate balance of the competing social, environmental and economic factors is.

One of the distinguishing features of Ok Tedi is the relative harmony of our relationship with the communities impacted by the mine's waste stream.

These are the people who have agreed that the mine should continue for their, and the general community's, benefit.

It is vital that the openness of that relationship continues through the difficult times ahead.

And the fact that you are all here today helping us in our mine closure planning is testimony to the strength of that and other important relationships and their openness.

The environmental, economic and community issues at Ok Tedi have always been complex and difficult and this latest challenge is no different.

I am here to tell you we are committed to talking openly to the people affected by the mine about the data we have and what it means for their lives along the river.

We will listen through meetings with the communities' representatives to what they have to say.

We need to hear about where the new balance lies between the river impacts on the communities' way of life and the social and economic benefits that the mine has brought and will bring to them.

For our part, we will put the resources into ensuring that this important discussion is done fairly, transparently and with the participation of those who have a stake in the outcome.

Everyone who is interested in this issue must have confidence in the robustness of the ultimate conclusion.

This consultation process with the communities and the government will be how the people of PNG arrive at a consensus.

I said earlier that we were at risk of leaving a negative legacy from this resource development.

Right at this time we are enjoying the best metal price environment I have seen in, well, far too many years, in this business.

Through taxation, dividends, Royalties, Special Support Grants, CMCA's, Heduru Trust, Lamin Trust and many other avenues, hundreds of millions of kina are generated for the benefit of Papua New Guineans and in particular in this region.

With genuine co-operation and sensible planning we can make a difference using this wealth and leave a positive legacy instead of a bad hangover after the party.

Mine closure planning is certainly about what is left behind, but it also about understanding what needs to be done now in order that we avoid that hangover.

It is a vitally important process.

With your help, it will provide the certainty and planning needed for Ok Tedi's legacy to be positive one in the Western Province and PNG nation.

I thank you all for your attention, for your attendance at this workshop and the effort you have contributed in making it a success.

Keith Faulkner
Managing Director
Ok Tedi Mining Ltd