



ERAMET

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Mrs Martine LAPLANTE
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Paris, July 2nd, 2013

Dear President, Dear Director

Further to your letter of June 19th concerning the Weda Bay Nickel (WBN) industrial and mining project on Halmahera Island, Indonesia, we noted the concerns you voiced with respect to its potential impacts on a number of areas such as biodiversity, populations, forests and climate. We would like to give you some relevant details on the project's workings and approach.

First, we wish to point out that WBN was selected in 2011 as one of the 17 strategic projects supporting the overall plan to speed up and expand Indonesian economic development requested by the President of the Republic of Indonesia, and that the final investment decision is still to be made by the project partners' boards of directors. The project could generate approximately 2,300 jobs.

In addition, from the project's outset we have taken every step to make it a model initiative in its field with respect to environmental and social responsibility.

WBN has pledged to carry out its project according to the performance criteria set by the International Finance Corporation (IFC), a World Bank subsidiary, and the Equator Principles, a demanding benchmark for identifying, appraising and managing social and environmental impacts and risks.

An environmental and social impact study, in accordance with Indonesian law (AMDAL 2009), and an impact study on the exploratory phase (ESIA 2010), of which you may be aware, have been published. Furthermore, some of your criticisms of the project refer to the observations made in these documents.

Since then, the project has evolved substantially and factored in the findings of those studies. In addition, more in-depth characterisation studies on the initial state have been conducted and continue to be enhanced, while a further, more thorough, environmental, social and health impact study (ESHIA) is being completed. We wish to provide you with additional information on the subjects raised in your letter, on the basis of these new findings.

The ESHIA study gives an analysis of the project as a whole, i.e. appraisal of environmental, social and health impacts for every project phase, and development of relevant prevention, management and remediation plans.

Biodiversity

As regards biodiversity on the Halmahera Island site, the ESHIA study gave a detailed assessment of the WBN project's impact on land, sea and soft water biodiversity, for both the concession zone and the surrounding areas.

The ESHIA study includes comprehensive and detailed characterisation studies on initial states, carried out in partnership with scientific institutes and national and international NGOs including the Indonesian Institute of Sciences (LIPI), Missouri Botanical Garden (MBG), Forest Trends (FT) and the Wildlife Conservation Society (WCS).

These studies, in addition to their application to the WBN project itself, make a very significant contribution to scientific knowledge of Halmahera Island's aquatic, marine and terrestrial biodiversity. The flora inventory, for example, enriches national and international databases in this field (Bogor Institute, Indonesia, and Leiden Herbarium, Netherlands).

In this context, to limit as far as possible the impacts caused by its operations, WBN has planned significant prevention and project adaptation steps with a view to developing measures that mitigate the final impact on biodiversity, e.g. pre-deforesting inventory and studies, relocation of species to be protected and restoration programs. These measures are set down in six specific action and management plans for land, sea and soft water biodiversity, which will be integrated into the project's Environmental and Social Management System. Specific clauses have already been included in subcontractor contracts to ensure that these plans are complied with and correctly managed.

The WBN project has undertaken a biodiversity offset program as required by IFC performance criterion 6. The aim is to make sure there is no net loss of biodiversity during the project's development and, preferably, result in an increase over the long term. A feasibility study was carried out using the Business and Biodiversity Offset Program (BBOP) standard and will be added to the ESHIA study in appendix. This offset program is being developed with the support of the BBOP's technical assessment committee.

Furthermore, the BBOP¹ approach is more than an offset program. It also involves implementing the mitigation hierarchy in an environmental equivalence process: the aim is to make sure that offsetting is only used once all suitable measures to avoid or minimise impacts and to remediate zones have been set up.

In particular, WBN and the Wildlife Conservation Society have conducted a study, in appendix to the ESHIA study, on current and future trends in anthropic deforestation on Halmahera Island in relation to mining, agricultural and forestry activities. It shows that the WBN project, including its offsetting program, will have a positive overall impact on the island's deforestation.

Finally, it should be noted that a gradual remediation plan was drawn up in 2008. WBN has set up three nurseries and a test reforestation program. 7,000 seedlings were replanted on 12 deforested hectares in 2007 as part of a mining test. The program, assessed by an internationally renowned independent expert, has very positive results with a 90% survival rate for the seedlings.

¹ Supported by the United Nations Development Program, the IFC, the Wildlife Conservation Society, Conservation International, Birdlife International, etc.

Deforestation and continuity of protected zones

We also wish to make a correction to the criticism in your letter on the project's impact in terms of deforestation. This impact was very seriously and accurately assessed under the ESHIA study. 45.8% of the WBN concession zone is made up of a Forest Protection zone under Indonesian law (i.e. forest that is essential to life because of its role in hydrological systems, soil fertility and protection from erosion) i.e. 25,118 hectares. However, only 2.1% of that Forest Protection zone will be deforested. Consequently, 24,570 hectares of protected forest will remain untouched. In total, 94% of the total wooded area of the concession will remain intact over the planned 50-year operating lifespan.

In your letter you also mention the issue of the forest corridor between the Aketajawe and Lolobata parts of Aketajawe-Lolobata national park. The Aketajawe part is located 2.9 kilometres from the Western limit of the concession, whereas the Lolobata part is 37.4 kilometres north-east. The Weda Bay project, as well as other mining and forestry businesses, is located between these two sections of the national park. We wish to point out that there is no question of destroying this biodiversity corridor. Two programs are currently being drawn up to protect it: the Forest Protection program and the Biodiversity offset program. In addition, WBN is involved in advanced discussions with Aketajawe-Lolobata national park to support and define suitable technical solutions.

Greenhouse gas emissions

Greenhouse gas emissions are an important component of the ESHIA study. They are analysed according to the GHG Protocol, an internationally recognised methodology that is recommended by the IFC and the Equator Principles.

Impacts on the forest have been taken into account in the carbon footprint and in the capture capacity generated under the site's future remediation. In particular, the study's findings with respect to the indirect emissions related to these impacts were audited by an independent appraisal firm in December 2012.

Local communities

The WBN project's impact on local communities and our relations with them are a priority. We wish to make a few facts clear on this issue.

The BBOP methodology and IFC performance criterion 6, by which we abide in conducting the ESHIA study, systematically take into account all of the forest's functions as an ecosystem, including services provided to local communities. Consequently, the resulting offset program will be subject to a stakeholder engagement procedure to ensure that the interests of all concerned parties, including local communities, are addressed.

WBN maintains daily relations in a peaceful climate with coastal communities and the chiefs of the 21 villages that are potentially affected by the project. WBN holds bi-annual meetings in every village and has set up an information centre on the project as well as a complaint management and resolution system, in accordance with IFC performance criteria. Moreover, the land offset process is carried out in accordance with Indonesian law and IFC performance criterion 5.

Special attention is given to the Forest Tobelo community (also called "Togutil") which has kept its traditional way of life. The WBN project's activities, as well as the rise in the local population, could decrease their access to some forest resources and increase their contacts with other populations. A specific plan is being developed within the ESHIA project, under which WBN continues to:

- collect new socio-economic data to add to the 2011 ethnographic report;
- inform and consult the Forest Tobelo in order to keep any negative impacts to a minimum, define the most relevant mitigation measures and set compensation rules. In that respect, we emphasise free prior and informed consent (FPIC principle).

Under the framework of that principle, WBN is currently carrying out a specific program that was more than a year in preparation and involved internationally renowned experts, a member of the Forest Tobelo community who has since settled and an Indonesian anthropologist who has worked with the Forest Tobelo for many years. WBN has also set up a consultative committee for the Forest Tobelo, comprised of Indonesian experts and in charge of guiding and assessing the work done on the ground.

Finally, WBN is setting up many development programs (education, health, culture, contribution to local infrastructures) for the benefit of and in constant consultation with neighbouring communities, whether directly or through the Saloi Foundation.

We hope that this letter has provided you with accurate, useful additional information and that we have addressed your concerns. We remain of course open to dialogue on the topic.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Catherine Tissot-Colle', with a stylized, flowing script.

Catherine Tissot-Colle
Executive Vice-President
Corporate Communications &
Sustainable Development