

Copper mine's risks spotlighted

By JOSEPHINE MARCOTTY, Star Tribune

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One of the most vocal opponents of the proposed PolyMet copper-nickel mine in northern Minnesota charged Tuesday that the company may lack the deep pockets necessary to protect taxpayers from bearing environmental clean-up costs years from now when the mine closes.

Paula Maccabee, an attorney for Water Legacy, issued a report saying PolyMet's own financial statements reveal it may not have adequate insurance to protect against risks that are typical in the mining industry. While such disclosures are routine for companies seeking investors, PolyMet's financial partner in the project, the giant global commodities company Glencore, has a troubling environmental track record that makes adequate financial assurances critical, she said.

"There is a lot of work to make sure financial assurance is done, and the time to do that is now," she said.

PolyMet declined to respond to questions Tuesday but said in an e-mail that it would provide all the financial assurances required by state law.

The issue could become critical in coming months as state and federal environmental regulators decide whether to let the \$600 million open-pit mining project proceed.

But a top state regulator said Tuesday the question may be put off until much later in the approval process -- despite the urging of both environmental groups and the federal Environmental Protection Agency (EPA) to address it now.

Last year, in a highly critical review of the government's first assessment of the project, the EPA recommended that the second environmental impact statement that is now underway include a thorough review of how much PolyMet needs to provide in financial assurance.

"If post-closure care measures are significantly underfunded, contamination of surface water and ground water may not be controlled," the EPA wrote.

Larry Kramka, director of the lands and minerals division for the state Department of Natural Resources, said the decision on when to address it has not been made.

"We have not determined the level of treatment that it will get within the environmental impact statement," he said. State law requires it be provided as part of the permit for construction and operation of the mine -- a process that may come months after the environmental review is completed this summer.

Financial assurances are an increasingly common regulatory tool in mining. In essence,

it's an insurance policy -- a guaranteed fund that can total hundreds of millions of dollars to deal with unforeseen problems or to pay for clean-up once the mine has played out.

"If you do financial assurance right, you create a powerful incentive for companies to do what they need to do for the environment," said Scott Strand, executive director of the non-profit Minnesota Center for Environmental Advocacy. But it is also critical to address it during the environmental impact phase because that's when regulators consider alternatives and mitigation steps that are key to reducing impact on water.

"It's not one of those cans you can kick down the road and get it right," he said. Kramka said the EPA is one of many agencies and organizations that commented on the process, but that state and federal agencies responsible for the current environmental review have an enormous number of issues to address.

"We get all sorts of advice on what we should and shouldn't do," he said. "The EPA is one." He added, however, that financial assurance has been part of the discussion about PolyMet "since day one, and it will continue through permitting."

Maccabee also raised questions about whether Glencore, a huge privately held Swiss-based commodities company that owns 9.3 percent of PolyMet, is a safe bet for the financial and environmental assurance the state might require.

It was founded in 1974 by Marc Rich, a commodities trader who was charged by the U.S. Justice Department with tax evasion and later pardoned by President Bill Clinton in 2001.

Since then Glencore and its subsidiaries have been involved with mining operations around the world. In 2003 it failed to provide \$400 million in clean-up money for a French copper processing foundry in France. It also runs a copper mine in Zambia responsible for serious environmental hazards related to its use of sulfuric acid, Maccabee said.

But that may be immaterial to establishing financial assurance, Kramka said. If PolyMet or Glencore don't provide the necessary, guaranteed funds, the permit won't be issued.

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