

(Gold) Mining projects as challenges of environmental policy. The case of post-communist Romania

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General features _ 1/2

- **Shared legacies**

- = economic relevance (i.e. tones of utility substances; occupational status, etc.)
- = political relevance (i.e. special benefits)
- = among the most polluting economic activities (i.e. negative impact on human health, pollution onto water, air, soil and vegetation).
- = psychological trauma (i.e. occupational illnesses + environmental degradation)

- **Shared post-communist agenda**

- = closure of mining sites (economic costs – low productivity + social costs)
- = progressive overlapping between the reform of the mining industry and environment protection (= increased regulation with regard to waters and environment (i.e. emission of pollutants in air, on surface and ground water, soil pollution, hydrological changes, landscape changes, safety dams, prevention)
- = (inter)national funds for policies and new technological processes in order to find viable solution to sustainable development

Significant differences in both pre-communist and communist features which explained significant divergences in the trajectories of environmental aspects after the fall of communism:

- = different levels of activism
- = environmental legislation (intensity and extension, origin, implementation, etc.)

General features_ 2/2

- The national legislation underwent through different transformations (= integration into the national legislation provisions of the European legislation in the fields of mining, environment, mining industry health and safety)
 - Council Directive of 27 June 1985 concerning the environmental assessment of the impact of certain public and private projects (Directive 85/337/EEC) + the Directive concerning the management of the extractive industries waste (Directive 2006/21/EEC).

Post-communist states weak regulatory capacities and/or risks of agency capture.

(Post-communist) environmental issues particularly complex to manage due to limited resources (e.g. financial, personnel, expertise)

Limited opportunities for civil society involvement

The peculiarities of the gold mining industry:

- Post-communist states dependent on the imports of raw materials
- In the context of the economic crisis and the rising prices of precious metals on the international market, there has been a growing interest of investors for the gold mining sector.
 - The price of gold has been increasing in recent years, in the context of international economic crisis, with a relatively stable level since 2013.
 - The Gold Demand Trends for 2017 illustrate a 7% decline in annual gold demand, largely investment-related.
- Most relevant areas of investments: South-Eastern Europe
- Romania is considered as one of the countries with the largest gold reserves in Europe, in particular in the so-called Golden Quadrangle (west-central Romania, Apuseni Mountains).

Research design

Case selection: pragmatic arguments (= availability of resources, previous research) + relevance of the Romanian case in the literature + mining opportunities

Qualitative analysis + desk research

Research question:

- **Which features make up Romanian gold mining industry?**

- **Descriptive strategy:** it describes a mining industry sub-sector + traces the sequence of events over time that have marked its most recent features with regard to environmental protection (i.e. Baia Mare and Rosia Montana)
- **Explanatory strategy:** it examines demand-side and supply-side explanations for two sub-cases

(= Demand-side explanations focus on the societal elements that mobilise in favor or against mining, whereas supply-side explanations focus on how institutional actors behave and the political opportunity structure in which they act)

Assumptions:

- 1) it is important to recognize the interaction between demand-side and supply-side factors in their empirical analyses in order to draw valid inferences.
- 2) It is productive to differentiate between different stages of mobilization in favor or against mining.

General features of the mining industry in Romania

Since the Roman period a relatively continuous production of mineral resources

Romania is known as a country with great potential in mineral resources (=oil, natural gas, salt, gold, silver and ferrous and nonferrous metals) (National Agency for Mineral Resources)

The current situation of Romania's geological reserves:

- Pit coal more than 300 million tones
- Soft coal more than 500 million tones
- Gold and silver: reserves of 760 tones
- 4 billion tones of salt

In 1989 there were about 300 mines in operation

- Over the 1990s huge state costs in terms of subsidies
- Late 1990s restructuration = 255 mines closed (2002-2013)

The gold mining sector in Romania

Decision to close the gold mines based on the losses recorded in this sector.

= operational losses + financial weight on the state budget

Despite significant reserves of non-ferrous metals, Romania currently exploits relatively small quantities gold.

= World Mining Data (2016): gold production 500 kg per year (2012-2016), 400 kg (2008-2011)

= Rank 78 out of 92 world producers

NAMR (2018): 11 active exploitation permits for gold alluvial deposits + 2 licences under decision for mining (gold copper – Rovina, silver gold Baita Craciunesti)

However:

- 1) Potential economic relevance (= In 2012, Gabriel Resources Ltd. of Canada reported proven reserves of 184,000 kg gold and 1,010,000 kg of silver only in Rosia Montana project. This estimations would make Romania a significant European gold producer)
- 2) Two major environmental traumas (cyanide and heavy metals spilled from the Baia Mare)
- 3) Societal mobilization in favor of Rosia Montana
- 4) The ongoing case of Rovina Valley copper-gold project (Hunedoara) – depicted as one of the largest mineral deposits in Europe (three porphyry deposits - Colnic, Rovina and Ciresta – and measured and indicated mineral resources of 406-million tons grading on average 0.55 g/t gold and 0.16% of contained copper).

Supply-side determinants

Post 1990s challenge of the legal and institutional framework in line with the principles of sustainable development

- WB; EU programmes

Challenges posed by the mining industry (=efficient management, new technologies: limited environmental impacts + the use of non-polluting technologies) + high tension:

- ✓ Eu-induced emphasis on transparent policy making + environmental protection.

Vs.

- ✓ A centralized policy-making process in which the government plays a fundamental role in terms of shaping economic policies and providing inputs for amendments in the regulatory framework in other areas.

(centralized process: prospection, exploration, exploitation, processing, closure, environmental rehabilitation and post – closure)

Demand-side determinants_1/2:

From a historical perspective, the concept of civil society has been peripheral in the functioning of the pre-communist Romanian state for reasons linked mainly to the delayed process of state-building process within a predominately community-based rural society.

During the subsequent communist period, only “compliant” non-state organizations were allowed to function.

Post-communism: pervasive corruption as well as with traditional reliance on family/friendship connections, mistrust in political organization

Despite an initially pervasive legal framework, few environmental organizations have been chronicled, for the most part in large cities in Transylvania (40%) and Bucharest (25%).

- Poorly-staffed and with limited financial resources
- cooperated mostly with local authorities and declared an absence of interaction with central authorities.
- involved in small-scale projects, deprived of expertise, skills and/or interest in trying to influence public policy.

Demand-side determinants_2/2:

In the post 2000s, international and foreign NGOs, individual and/or institutional donors channeled their influxes of financial, equipment and/or human resources investments on nourishing the emergence and development of a vigilant civil society

- developed participatory habits and advocacy skills.
- the civil society found itself fighting the government more than cooperating with it (Parau 2009)
- Increased networking with international institutions + experts + activists
- throughout 2010s, both formal and informal groups organized meetings and protests in both urban and rural areas against environmentally hazardous projects (e.g. protests in opposition to Chevron's projects for shale gas in Vaslui County).
- the hearth of the environmental activists remains located in Transylvania and Moldova, territories where numerous polluting industries were traditionally rooted.

Expectations:

The top-down character of Romania's compliance with EU norms enhances the position of the state-based actors in the definition of the agenda.

The involvement of the civil society is supposed to remain peripheral, while politically influential economic interest groups should successfully lobby state-based actors

Considering the high costs of compliance with the EU policies in general and environmental policy in particular and the grey zones in the mining industry reform , Romania is expected to exhibit resistance to an intensification of efforts with regard to environmental aspects.

Baia Mare and Rosia Montana

Long history of mining; origins of the project 1986

The World Health Organization (WHO) identifies Baia Mare as a health risk hotspot.

Operational: From 1996-2006, the only private company with activity in exploitation and processing of gold is Aurul SA Baia Mare (the state-owned company Remin SA (42%) and the Australian company Esmeralda Exploration Ltd (50%)).

- 150 Romanians directly or indirectly employed and 200 jobs being created during the construction phase.
- In the 1999-2005, the Romanian-Australian society exploited and processed material of 5,5 tones of gold.
- In less than a year after the start of the operations in Baia Mara- two leaks at the reservoir used for processing gold

Local mobilization + international actors (Hungary, the Federal Republic of Yugoslavia, the European Environment Commissioner Margot Wallström , UN Office for the Co-ordination of Humanitarian Affairs (OCHA), Executive Director of the United Nations Environment Programme (UNEP), team of international experts)

Government of Romania + private company

All mining operations were closed starting 2006.

Long history of mining; origin of the project in 1995 (3 years before the adoption of the first law on mining)

Cultural assets - The International Council on Monuments and Sites and the inclusion in in world patrimony list

Rosia Montana Gold Corporation obtains the concession license for exploitation in 1999 for the exploitation of gold and silver ores in the Roșia Montană area.

Investments (EIA, technical reports, exploration activities, acquiring surface right, corporate social responsibility programs in the Project area, etc) – part of the arguments in the arbitration case against Romania before the World Bank's International Centre for Settlement of Investment Disputes

Local activisms + endorsements came from local, national and foreign/international physical and juridical persons, informal groups, NGOs and coalitions of NGOs, experts, intellectuals, artists, trade unions and professional associations, the Romanian Academy, universities and individual academic staff, students' organizations, Churches, etc.

Strategic usage of EU candidacy before 2006 + total phenomenon in 2013 ("Save Roșia Montană")

Despite the solid belt of support of the main political parties, the RMGC was eventually blocked in its process of obtaining authorization for what has been described as the biggest opencast gold mine in Europe

Conclusions

Romanian Government Mining stable interest in gold mining

- Strategy 2017-2035 indicates gold mining within the listing of strengths and opportunities:
 - The presence of resources of 760 tones of ore
 - It generates significant water and soil pollution + the risk of a hostile perception as a result of cyanide use in processing

Government plays a fundamental role in terms of shaping economic policies and providing inputs for amendments in the regulatory framework = limited dialogue with civil society + privileged access for business (allegation of corruptions)

- The complex role of ANRM (grey zones + secrecy?)

Successful (but intermittent) activism and environmental arguments are part of the triggers for mobilization

Hic sunt leones....

“The mountains of Transylvania may not be haunted by vampires, but they are full of gold that attracts what some view as predatory attention, in a battle that refuses to die”



(Main 2018)