

How did the credit crunch help the manatees?

On January 30, 2008 Skye announced that it was deferring financing of the Fenix ferro-nickel project due to difficult credit market conditions.

The Canadian mining company Skye Resources, owner of the Compañía Guatemalteca de Níquel (CGN), released a statement on the 30th of January in which it announced the suspension of large scale construction work that was to be carried out during this year at its ferro - nickel project Fénix in Izabal, Guatemala. The main reason for this suspension, according to the company, is the turmoil in the international credit markets, which has impeded the company from gathering the almost US\$ 1 billion dollars needed to build the processing, production and electricity plants

This news from a Canadian mining company, hidden in the financial pages of the financial press, means that for a few more months the future of one of the world's most beautiful lakes will be hanging in the balance.

The lakeside town of El Estor is a tranquil place. It lies beneath the mountain ranges that have been the heartland of Mayan culture in Guatemala for centuries. In the morning the clouds lift off the lake and float between the fishing egrets and the mountaintops. Solitary fishermen in their dugout canoes cast their nets watched by flights of cormorants. The lake is still home to several groups of manatees

Dozens of rivers feed into Lake Izabel. Hot thermal springs cascade into cold rivers. The number of endangered manatees is now believed to be less than 50, and they are most frequently observed in the south western portion of the lake near Boca del Polochic. There are sweet-water sharks (*Carcharhinus leucas*), tarpon (*Megalops atlanticus*) and many other species of fish. The wetlands and upland habitat adjacent to Lake Izabal provide habitats for hundreds of species of migratory birds as well as for mammals such as howler monkeys. It is a very special place for wildlife and for hundreds of years; the people around the lake have made their livings from it without compromising its special qualities.

Farms developed up in the valleys and the town of El Estor became a centre for the dozens of remote Mayan villages which are scattered over the mountain ranges. The town began as a trading post in the eighteenth century when the Spanish were keen to keep their goods out of the hands of the pirates, especially British pirates, who stalked the Caribbean coast. This remote lakeside town has direct access to the sea down the beautiful gorge of the Rio Dolce. Piracy declined and in the mid nineteenth century two British entrepreneurs named Skinner and Klee opened a general store (now the historic Hotel Vista al Lago) by the lake, giving the town its name "El Estor". Thus it became a busy trade centre for this remote and lovely region. However a railroad and a new port at Puerto Barrios meant that by the early twentieth century El Estor became a sleepy local town.

In the early 1960s high grade nickel deposits were found in the area turning the town into the centre of a bitter dispute that has rumbled on for half a century. In 1965 a small processing plant brought some investment to the town. It built prefabs, a school and a hospital for its workforce. These now stand derelict and empty but just beyond

them is the camp of the dispossessed Mayans whose lands have been “acquired” for the new mining boom because these mountains are rich in nickel, cobalt and other minerals.

No sooner had the mine fallen derelict than oil companies started prospecting the lake bottom. Appalled at the prospect of another assault on their lake local people got together to form the Association Amigos del Lago Izabal. They even got the President to tour their beautiful lake and he agreed to cancel the oil concessions.

Land rights and a right to a peaceful existence though are not easy things to achieve in this mineral rich area. In 1999 Carlos Coc Rox, a human rights worker was murdered whilst working on land conflicts for the Q’eqchi. Evictions are more common -since November 2006 in the department of Izabal, five Maya Q’eqchi’ communities have been violently evicted from ancestral lands on orders Skye Resources. Alongside the mine’s processing plant Mayans now live under strips of black plastic as they struggle to occupy a strip of lakeside land. The road up the mountains is now fenced off and as we merely photographed it security guards took stock of whether to challenge us.

Bigger battles will explode as Skye is preparing billion-dollar investment in a massive smelting plant. The billion-dollar operation would change the lake, the town and the mountainsides forever. The plant will take its cooling waters from the lake. It will then discharge the used warm water back into the lake. The washing plant will also use lake water. Huge trucks will rumble constantly up and down the lakeside. Light planes and helicopters will fly in staff and senior management to the plant's airstrip. How much local employment will be created is unclear.

Skye’s proposal involves shipping in vast amounts of coal for smelting the ore. They will need 40 barges, each loaded with 1,000 tonnes of cargo, which would be picked up – two at a time – by a line-haul river pushboat. The pushboat would push the barges up the Rio Dulce and across Lake Izabal to the plant. The coal/ would discharge at an average rate of 750 tonnes per hour” So for 24hours worth of smelting that is an awful lot of barge movements up and down the lake.

Skye say that in general, the environmental design criteria represent the more stringent of Guatemalan regulations and World Bank guidelines. The World Bank guidelines are largely based on the 1998 version of the Pollution Prevention and Abatement Handbook” However last year when I met Katherine Sierra, Vice President of the World Bank and responsible for its sustainability policies, she made a point of telling me just how much the World Bank has needed to change its practices with regard to environmental standards. Skye are still using ten year old standards. The environmental permits obtained last year in Guatemala were under a different political regime. The new President may have a different view. The fact is though that whatever standards are used, this is a really massive project that is bound to have a major impact in a highly sensitive location.

The local environmental organisation Amigos del Lago does not feel that this vision of the future is one that they want either for their town or their lake. Doctors, teachers, shop owners, fishermen and tour guides all belong to it. They operate out of a tiny office opening straight onto the street and run on a shoestring. Most of their work is unfunded although their work with Mayan villages bringing solar power and

organising cooperatives has brought a small grant from Oxfam. They face a David and Goliath struggle. Peace Brigades International, who provide non-violent protection and international observation to human rights defenders, have been accompanying Eloyda Mejia, the President and legal representative, as she has been subjected to anonymous death threats.

Finding a balance between economic benefits and environmental losses is highly controversial. Undoubtedly a billion dollar investment from Skye will bring some new investment in the town and the region. The tax system is such though that only 1% of profits stay in Guatemala, while the degradation of the environment and the pollution is suffered locally there is a proposal to raise the tax to 2% but even this can be avoided by making the profits accrue outside Guatemala. A country as poor as Guatemala cannot afford to lightly dismiss a potential source of income

The residents of El Estor might benefit more financially from becoming part of the tourist route. Ten of thousands visit the world famous Mayan archaeological site at Tikal every year and then head for the old colonial town of Antigua bypassing El Estor and Lake Izabal.

The whole issue will no doubt be top of the pile on the desk of the new President. President Alvaro Colom, whose term began in January this year. He has declared he wants his country to be a model of social democracy with a "Mayan face". He faces enormous problems though. After suffering from the bloodiest civil war in Central America in the 1990s Guatemala is struggling to create a fair and stable society. It has one of the lowest tax takes in the world. The country's businessmen and landowners are unwilling to hand over money to a corrupt state. Now there is a new International Commission against Impunity in Guatemala tasked to try and sort out the immense corruption and crime that goes unpunished.

As other Central American countries achieve stability they have proved are no longer so willing to sacrifice their environments to latter day conquistadors.

El Salvador's environmental ministry announced it will revoke extraction privileges and suspend all new mining licences.

In environmentally friendly Costa Rica, activists have gone to the courts to successfully block Calgary-based Vanessa Ventures Ltd's plans to open a gold mine.

The President will have to take some critical decisions about Lake Izabal soon. Should the plant proceed at all in this outstandingly precious ecosystem and, if it does, are the current regulations adequate and what slice of tax should Skye pay the Guatemalan people.

Skye has seen the changes and the company itself lists as one of its "risks" a changing political climate. They have just appointed a new person - John Bracale CGN President and Guatemala Country Manager as of 27th March this year. This suggests they are busy pressing ahead.

The credit crunch bought a little time for the manatees so it is important that it is used to reassess this whole complicated matter.

Notes

Baroness Miller of Chilthorne Domer is a member of the All Party Parliamentary Central America Group and Vice President of Wildlife and Countryside Link

Peace Brigades International are running a Conference in Westminster London on 26th June 2008 at which the Director of Friends of Lake Izabal will speak.
www.peacebrigades.org.uk