Panama Advances Toward Major Mining Projects

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The photograph of the brimming tailings pond splashed on the front page of Panama's leading newspaper raised alarm. After days of heavy rain in the tropical jungle where the Molejón gold mine is located, production had reportedly stopped because the pond was on the verge of a massive cyanide-tainted spillover that would cause a major environmental catastrophe—or was it?

The August report by La Prensa cited unnamed local sources close to the company that operates the mine—Petaquilla Gold, the wholly owned Panamanian subsidiary of Canada's Petaquilla Minerals—but authorities and the company quickly denied the possibility of an imminent spill. In some cases barely containing their indignation, they said that the tailings-pond content was not dangerously toxic and that, in the unlikely case of a spill, only muddy water would escape.

In the days that followed, the government and a leading nongovernmental organization (NGO) sent teams to study water quality around the mine while the company launched a public-relations blitz. The highlight of the latter was Petaquilla's Panama spokesman Carlos Salazar, standing in a river near the mine, dipping a glass into the water and drinking down the liquid. He made the evening news—as did a local woman, who shouted at him from the riverbank to come back and drink when the water was turbid after rains.

The allegations and the river-drinking denials both reached extremes, but beneath the incident was a concerning fact: the Panamanian government had allowed the company to go ahead with production without having finished a second, larger tailings pond. While the company said the production stoppage was a regular pause for preventative maintenance, the government said the tailings pond was being rushed to completion during the shutdown. It was supposed to have been finished two months earlier, said Ricardo Quijano, the vice minister for commerce and industry at the Ministerio de Comercio e Industrias (MICI).

There has yet to be any conclusive evidence of contamination caused by the mine, and it remains unclear whether there was much risk of a spill. "There wasn't any danger," Quijano told reporters, even while acknowledging the pond had reached "levels where it was almost at the point of overflowing."

Nevertheless, the episode called into question Panama's plans to pursue billions of dollars in open-pit mining investment and highlighted the country's lack of experience in the environmentally sensitive industry.

Opposition uses incident to bolster case

Environmentalists say Panama's rich biodiversity, already threatened by poor enforcement of logging laws, will be put at even greater risk by opening Panama to large-scale mining projects as the administration of President Ricardo Martinelli plans. Activists are not satisfied with promises of responsible mining—converting thousands of hectares of tropical forest into open pits is reason enough to oppose the plans, they say.

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As Panama's only metals mine, Petaquilla is a lightning rod for opponents, and any incident there is used as an example to boost the case against mining. The news of the near-capacity tailings pond presented an opportunity to bolster the case, but findings from August water samples did not appear to generate conclusive evidence of excessive contamination.

"The results of the analysis of water and aquatic organisms that we have been doing this year...suggest the presence of contaminants in the water and sediments," Alida Spadafora, executive director of the Asociación Nacional para la Conservación de la Naturaleza (ANCON), said in a statement.

The press release from one of Panama's most important environmental groups did not elaborate on specific contaminants but said the results showed high levels of suspended solids and turbidity in the water.

"In Panama, we don't have the technical capacity to monitor, supervise, and make effective citizen reports of possible damages to the environment that can be caused by mining," said Spadafora in an earlier interview, adding that the Petaquilla situation demonstrated how the government still suffers from enforcement issues because the tailings pond was not functioning on schedule.

"Things like this reflect the limited capacity of the government," Spadafora said. "It's dangerous that the country, or the government of Panama, promotes mining without truly being prepared."

The government has said its testing shows that any contaminants are within international standards.

The government envisions billions of dollars in investment in two major copper projects, one located at the same site as the Petaquilla gold mine, which is expected to reach commercial production by 2016. The concession site covers 13,600 ha, considerably more area than Petaquilla's size.

"We're the first full-production facility to go into Panama," said Tom Byrne, Petaquilla's spokesman in Canada. "We're breaking a lot of ground here for what's coming in the big copper district that's going to be put in place there."

Byrne said that the tailings pond had reached 90% capacity but that it can reach 120% capacity before spilling over. "There have been no cyanide leaks. There have been no environmental-danger alerts or anything like that," Byrne said. "[The mine] was built to exceed World Bank standards."

"We knew that we were going to run into this," Byrne added, referring to criticism from environmentalists. "It's easy to target us [but] there's more environmental damage caused every year by rogue ranchers cutting down rain forest than there will ever be by us."

Petaquilla may now strive to meet strict standards, but it was levied almost US$2 million in penalties in late 2008 by Panama's environmental regulator, reported La Prensa. The government and Byrne said past environmental transgressions, which reportedly included operating without an approved environmental impact study, have been rectified. Byrne said the fine was pardoned once the project put its environmental situation in order.

**Plans envision more mining**

The government insists that mining is the path to prosperity for the country's neglected hinterlands where the projects will be located. Many residents near the mine sites are subsistence indigenous
people, who have long been neglected by the government and often suffer from greater poverty than their nonindigenous Panamanians.

Quijano said mining is "the only way we are going to get them out of the underdevelopment they have there."

The government envisions sending a sweeping mining-reform bill to the legislature this year. The reform is expected to toughen environmental standards and increase royalties. The legislation is also expected to permit foreign governments to invest in mining, a practice that is currently prohibited that could limit investment.

"There is no rush [to change the law]," said Roberto Henríquez, Panama's trade and industries minister. "We're working with great responsibility....We make this country a First World country if we know how to take advantage of potential with responsibility."

Environmentalists and opposition legislators—who concede that any bill presented to Panama’s Asamblea Nacional (AN), the unicameral body of lawmakers, will be passed by Martinelli's controlling coalition—await details of the proposal. They say they have not been consulted.

"Regarding the new mining law, it is very important, if we want to improve the legal framework for mining, that civil society be involved," said Spadafora. "And that has not happened."

It is not clear yet when the bill will be presented as the government is still negotiating with unions on a controversial bill passed in June that limited organized labor (NotiCen, July 8, 2010) and (Sept. 9, 2010). Called the "sausage law" because it was presented as a commercial-aviation bill but stuffed with controversial riders that also reduced some environmental standards, the fallout was caused because the government for went public consultation.

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