Grupo México Remains at the Center of Controversy, Almost Two Months After Toxic Spill

Carlos Navarro

Follow this and additional works at: https://digitalrepository.unm.edu/sourcemex

Recommended Citation
Grupo México Remains at the Center of Controversy, Almost Two Months After Toxic Spill

by Carlos Navarro
Category/Department: Mexico
Published: 2014-09-24

The giant mining company Grupo México and its chief executive officer (CEO) Germán Larrea are again the center of controversy for violations of environmental policy in Sonora. In early August, state and federal environmental authorities cited Grupo México subsidiary Mina Buenavista del Cobre for spilling more than 1.4 cubic feet of sulfuric acid (about 40 million liters) into the Bacanuchi and Sonora rivers (SourceMex, Aug. 13, 2014). The spill contaminated drinking and irrigation water for several communities along the two rivers and forced authorities to take emergency measures, including the temporary closure of schools.

Despite a new environmental-responsibility law (Ley de Responsabilidad Ambiental) enacted in July 2013 to hold private corporations and the state-run oil company PEMEX accountable for environmental damage, Grupo México received what environmental organizations, legislators, and even financial analysts describe as a slap on the wrist. The Procuraduría Federal de Protección al Medio Ambiente (PROFEPA) levied a fine of only 40 million pesos (US$3 million) against the company. A special commission created in the Chamber of Deputies to follow up on the case (Comisión Especial Río Sonora) said the fine is a drop in the bucket considering the total damage to the area, estimated at 800 million pesos (US$60 million) or more.

Authorities have asked the company to conduct the required operations to clean up the spill, but local officials and environmental advocates say Grupo México has not fully complied with the directives.

"More than a month has transpired since a subsidiary of Grupo México spilled 40 million liters of sulfuric acid into the Sonora River and its tributary, the Bacanuchi River, causing one of the worst environmental disasters in our country’s recent history," the daily newspaper La Jornada wrote in an editorial on Sept. 2. "This corporation continues to evade its responsibility, and until now the ‘repair and cleanup brigades’ that the company was supposed to send to the area have only appeared sporadically."

Some local residents have banded together to file a class-action lawsuit against the company. "The contamination prevents dairy producers from milking their cows and selling their products, the cultivation of crops has come to a halt, and the water crisis is affecting all aspects of human, animal, and vegetable life in the region," columnist Rosa Esther Beltrán of the daily newspaper Vanguardia wrote in early September. "That is why 50 residents of communities along the Sonora River launched a collective legal action against the company this week, and more residents affected by the tragedy are expected to join in the effort."

To make matters worse, another spill was reported in mid-September, but there is conflicting information on whether the incident involves the same toxic substances that made their way into the river during the August incident.
Information from Sonora civil-protection authorities was that the new spill was toxic, but PROFEPA said the substances were not dangerous. Despite the reassurances from the federal agency, the Unidad Estatal de Protección Civil in Sonora implemented the same alert enacted during the first spill, which urged residents not to consume water from the river and to keep humans and animals away from the waterway.

The company did not deny that there was another spill but offered assurances that no toxic materials were involved. "Buenavista del Cobre regrets the politicization of this accident, which has taken the community hostage," officials said in a statement. "Our company will make use of all legal means to ensure that the rights of communities where it operates are respected."

Despite an initial denial that the spill was toxic, PROFEPA technicians are investigating a new stain that has appeared on the Sonora River.

**Congress urges severe punishment against company**

Grupo México’s inaction has angered the Congress, with both the Chamber of Deputies and the Senate threatening to take drastic action. On Sept. 3, the full Chamber of Deputies approved a resolution demanding that President Enrique Peña Nieto’s administration order operations at Buenavista del Cobre be shut down until the cleanup is completed. Some legislators also suggested that the Secretaría de Economía (SE) cancel the mine’s concessions altogether.

Legislators also urged the Sonora state government and several federal agencies with oversight of the situation to impose "exemplary" fines against the company in response to the spill. "This company, which is responsible for an environmental disaster, has behaved very unethically," Deputy Manuel Añorve, a member of the governing Partido Revolucionario Institucional (PRI), said during a hearing.

The Senate has summoned Environment Secretary Juan José Guerra Abud, David Korenfeld, head of the Comisión Nacional del Agua (CONAGUA), and PROFEPA director Guillermo Haro to testify before the full legislative body to explain what actions the government has taken against Grupo México. PROFEPA filed a criminal complaint against Grupo México in August, but no severe penalties have yet been levied against the company.

Despite pressure from the Congress, operations at Buenavista del Cobre, near the town of Cananea in Sonora, have continued uninterrupted since the spill, and officials at Grupo México do not expect the government to force activity to cease. The company’s chief financial officer (CFO) Daniel Muñiz Quintanilla said the Buenavista del Cobre mine expects to meet annual production targets of 510,000 tons by 2016, more than twice the current level of 200,000 tons.

**An "arrogant" attitude**

Critics say Grupo México has shown extreme arrogance in failing to take responsibility for the spill. Even though multiple reports said that the spill was caused by a leak at one of its storage tanks, officials at first insisted in a communication to investors that the spill was the result of heavy rain. The Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT) and PROFEPA immediately dismissed this explanation. "There were no rains that caused a spill of this nature," Environment Secretary Guerra Abud told reporters in Mexico City on Aug. 19.
When Haro subsequently filed a criminal complaint against Grupo México before the Procuraduría General de la República (PGR), the company insisted on its version of the story and vowed to appeal the fine of 40 million pesos levied against the company.

Facing strong public and political pressure, the company finally acknowledged that poor maintenance at the storage facility did cause the spill. Even then, officials did not admit fault, ascribing responsibility to Tecovifesa, one of its contractors. "Even though there was plenty of evidence that Buenavista del Cobre was responsible for the spill, Grupo México still faulted Tecovifesa," financial columnist Maricarmen Cortés wrote in the daily newspaper Excelsior.

Some observers believe that the company’s arrogance is a clear reflection of the attitude of its CEO. "Grupo México, owned by Germán Larrea, not only acted negligently following the spill but also lied to the local residents, who did not know about the problem until they started to smell the contamination in the river," Vanguardia columnist Beltrán wrote, "Now the victims are correct in demanding reparations for damages that cannot be quantified."

Even with a pledge to indemnify area residents, the company has not delivered assistance within the promised time frame, Guerra told reporters in early September.

While the company has been slow in providing reparations to residents, state and federal authorities began disbursing checks to agricultural producers and citizens who filed claims. On Sept. 23, Sonora Gov. Guillermo Padrés Elías and Guerra Abud distributed checks to 380 individuals who had filed claims.

Critics say Grupo México will not only have to provide monetary compensation for damages caused by the disaster but will also have to assume responsibility for the shutdown of El Molinito reservoir, which provides a share of the water supply to the city of Hermosillo. "The reservoir remains closed because of the contamination, which is affecting the fishing community and could eventually cause a water shortage for the state capital and other communities," La Jornada said in its editorial.

"The company should be required to put together a report on the impact on the health of area residents, not only in the short term but in the medium and long term," said La Jornada.

Grupo México has a track record of negligence and disregard for the safety of workers and the community in many of its operations. The most infamous case involved the fatal explosion at the Pasta de Conchos Mine in Coahuila state in 2006 (SourceMex, March 1, 2006, and Oct. 24, 2007). Some critics have faulted authorities for their unwillingness or inability to take action against the powerful company. "This corporation is a clear example of entrepreneurial impunity, which has been detrimental to our country," La Jornada said in its editorial. "There has been a series of complicities, cover-ups, and exchanges of favors that links those with economic power to those with political power at all levels."

**Stock market drives company’s decisions**

There is some evidence that Grupo México has placed a higher priority on profits and appeasing investors than on its impact on the community. For example, there was some consternation in the Bolsa Mexicana de Valores (BMV) about the loss in value of the company’s shares in the aftermath the August spill. Company officials and financial analysts offered reassurances that the stock value would eventually rebound, especially since production at the Buenavista del Cobre facility has continued with few interruptions.
"The shares have been falling and the noise around this case will continue until the water commission lifts the environmental alert," analyst Rodrigo Garcilazo of Corporativo GBM said in an interview with Bloomberg news service. "If there is a temporary suspension of the plant, it could have a more long-term impact on Grupo México than expected."

The Peña Nieto administration has sent mixed signals. The president, his Cabinet secretaries, and other officials have publicly denounced the company and have vowed to take strong actions against Grupo México. However, the administration has yet to take any major action against the company, other than the lawsuit filed by PROFEPA with the PGR.

The company seems to think that it might have some leverage with the government. "Not satisfied with recognizing that it lied on two occasions, Grupo México started one of its communiqués with a message of congratulations to President Peña Nieto for the ‘results’ he has achieved thus far," and then pleaded with authorities not be treated in a discriminatory manner," said Maricarmen Cortés.

"Further in the message, Grupo México informed the BMV that the PGR conducted an investigation of Buenavista del Cobre and this did not result in closing the mine," added Cortés. [Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 24, 2014, reported at 13.29 pesos per US$1.00.]

-- End --