

FREEPORT: WALK THE TALK

by Sally Smith, Director of Responsible Mining

In its 2009 Sustainability Report, Freeport-McMoRan Copper and Gold (FCX) asserted: "If resources are not extracted responsibly and in accordance with the needs and standards of society, we will lose the trust of the stakeholders. Sustainable development is the foundation on which we operate."

So, just how much does FCX really care about our trust or our water in southwestern New Mexico?

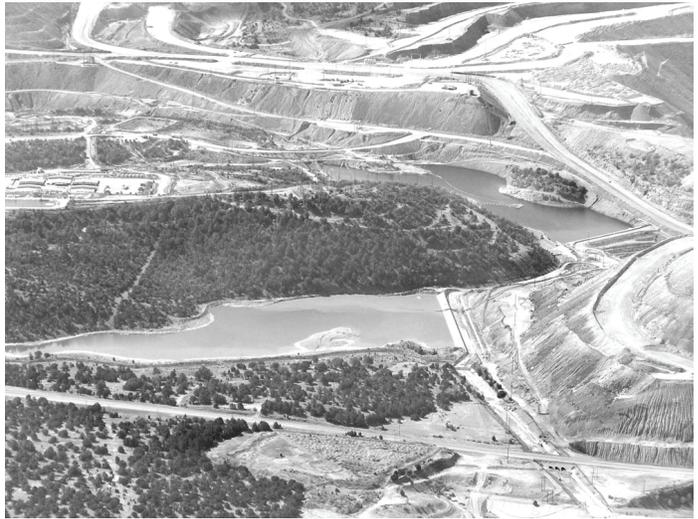
In its 2009 report, "Working Toward Sustainable Development," FCX lists several Key Sustainability Challenges, including: "We allocate significant resources to manage water quality issues that may, over the short and long term, negatively affect operations or impact stakeholders." And, "Our operations use large volumes of water. We try to balance our water usage with the competing uses in the community such as agricultural production. Using water efficiently and maintaining adequate sources is a long-term challenge."

The FCX 2011 Annual Report notes: "Competition among users for continuing access to water is significant. If we are not good stewards of water resources, we could face reputational risks, particularly with local communities. This is why we are working closely with local stakeholders on water projects to support our operating plans but also to help sustain communities beyond the life of our operations."

The FCX 2012 Water Disclosure Report says: "As we pursue attractive growth projects to grow our copper production over the next four years, we expect our water usage to increase. ...Operations require significant quantities of water for mining, ore processing, and related support facilities. Temporary and long-term water supply shortages due to reduced precipitation also can impact our operating plans and our ability to effectively manage environmental impacts associated with excess water."

Despite FCX's sustainability pronouncements, it is spending significant resources to "water down" the New Mexico Water Quality Act. With the support of a sympathetic Environment Department and Martínez administration, FCX upper management is trying to rewrite law through the regulatory development process (see *MINING UPDATE* on pg. 1). Ironically, FCX is bringing about the very thing it said it wanted to avoid. In 2009, the company lobbied for amendments to the Water Quality Act to require that the New Mexico Water Quality Control Commission (WQCC) adopt specific rules for the copper mining industry. These amendments were passed by the legislature. The purpose of the rules was intended to provide the copper mining industry with clearly defined requirements for preventing groundwater and surface water pollution and ensuring regulatory compliance rather than determining all such requirements on a case-by-case basis, cutting down on years of debate over permit conditions and litigation. However, FCX's end-run around the Copper Rule Advisory Committee process, with the cooperation of NMED, has produced a proposed rule that violates the Water Quality Act, potentially dooming the Department's petition to years of litigation.

Clearly, FCX can afford to protect and clean up groundwater at mine sites. It is the sole owner of the Chino, Cobre, and Tyrone mines; the world's largest publicly-traded copper company; the world's largest molybdenum producer; and the world's third largest producer of gold. It reports long-term reserves in



THOUSANDS OF GALLONS OF WASTEWATER ARE IMPOUNDED AT GRANT COUNTY MINES OWNED AND OPERATED BY FREEPORT-McMoRAN COPPER AND GOLD, WHICH HAS PROFESSED ITS COMMITMENT TO "SUSTAINABLE DEVELOPMENT" IN MANY CORPORATE DOCUMENTS. BUT DO ITS RECENT ACTIONS THREATEN OUR CURRENT AND FUTURE WATER SUPPLY? (GRIP PHOTO)

several nations, including Indonesia, the Democratic Republic of Congo, Chile, Peru, and the U.S.

According to its 2011 Annual Report, FCX considers long-term markets, particularly for copper, to be very favorable. The document says the firm's financial position is very strong and that it is carrying significantly more cash than debt. A 2012 debt refinancing, it said, would reduce interest costs significantly, enabling the company to maintain an attractive credit profile, support operations, provide flexibility for financially attractive investments, and provide attractive returns to shareholders.

In 2011, copper accounted for approximately 78% of FCX's record financial performance of \$21.4-billion in revenues and \$4.6-billion in net profit. These earnings were obtained despite the continued challenging labor situation at the company's massive Grasberg Mine in Papua, Indonesia, that has included strikes, violence, and deaths, resulting in a work stoppage that, in turn, caused a shortfall in production.

GRIP recognizes the economic benefit to our community from Grant County mining. However, GRIP does expect FCX to mine responsibly and to protect our water resources for future generations. Water is a public good and belongs to all New Mexicans. We call on the corporation to do the right thing in New Mexico by respecting the Water Quality Act and agreeing to Best Management Practices (BMPs) instead of subverting the intent of the Water Quality Act to allow further contamination of our local aquifers, while at the same time reducing the opportunity for public input.

There is little question that severe drought affects our water supplies in New Mexico. We cannot allow FCX to use our precious aquifers as a dumping ground when the company can easily afford to implement industry BMPs to control its pollution. FCX should protect all groundwater and mitigate contaminated water under mine sites that the public may need in the future.

The corporation has broken the trust of stakeholders in New Mexico! FCX wants what it wants and intends to use its cozy relationship with our current state administration and its enormous financial and legal resources in order to get it.