

**For Immediate Release**  
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**BanglaPraxis • Bank Information Center • International Accountability Project**  
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### **Asian Development Bank Pulls Out of Controversial Coal Project in Bangladesh**

The Director of the Asian Development Bank's Private Sector Operations Department, Robert Bestani, notified the Bank's Board of Directors last week that it will take the Phulbari Coal Project in Bangladesh out of the Bank's funding pipeline. The ADB's Board was slated to approve a US\$100 million loan and US\$200 million political risk guarantee for the project on June 3, 2008.

This comes as another major blow to UK based company GCM Resources Plc, (formerly known as Asia Energy), which aims to establish one of the world's largest open pit coal mines near the town of Phulbari in northwestern Bangladesh. GCM/Asia Energy was forced to shut down its operations and flee the project area after a major protest of over 50,000 people in August 2006 resulted in three deaths and hundreds being injured as government-backed paramilitary forces fired upon the protesters.

National opposition to the project has been led by the National Committee to Protect Oil, Gas, Mineral Resources and Ports (NC). Although its General Secretary, Professor Anu Muhammad, has received death threats and its local leader, Mr. Nuruzuman, was publicly tortured by the military in February 2007, the NC and others have remained undaunted in their opposition to the Phulbari coal mine.

Prof. Muhammad says: "The area around Phulbari is extremely fertile and densely populated. It is also one of the few regions in Bangladesh that is safe from flooding and other natural catastrophes and therefore plays a key role for the food security of the entire country. The proposed 'development' project is merely a scheme to loot natural resources from a poor country for the rich. We will not allow GCM/AEC to turn a land of food for the people into a black hole for corporate profit."

According to the company's estimates, the mine would displace some 50,000 people. However, an Expert Committee commissioned by the Bangladesh Government in 2005 reports that 130,000 people would be displaced for the mine and a further 220,000 would suffer from adverse impacts on drinking water and irrigation supply due to the massive draw-down of the water table, which is necessary to keep water from running into the 300-meter deep mine pit. Furthermore, the company has no viable plan to prevent acid mine contamination of the soil and water as a result of extracting 15 million tons of coal for over 35 years.

Mining Expert Roger Moody says: "It is extremely costly to adequately prevent and mitigate acid mine drainage in a mine of this size. The acid is likely to stay in the environment for decades after the mine closes, contaminating the land, rivers and streams. And GCM has not provided any financial details as to who would cover the bill for such an environmental disaster."

Various community leaders and representatives of the Phulbari area wrote a letter to the ADB's Executive Directors in December 2007, followed by a letter from over 60 international civil society organizations protesting ADB's involvement in the project. As international NGOs point out, the project would cause extensive damage to the Sundarbans mangrove forest, a UNESCO declared World Heritage Site where the port facilities for exporting the coal are to be constructed.

Shefali Sharma from the US NGO Bank Information Center, which monitors the activities of multilateral development banks, comments: “Phulbari is a singularly bad project and we are amazed that the ADB spent 3 years preparing a venture, which was clearly going to impoverish an immense number of people and risk an environmental catastrophe in the entire region. This raises serious questions about the Bank’s due diligence and should encourage shareholders to strengthen their oversight and call for a reform of the institution.”

Tim Jones of the World Development Movement adds: “The Phulbari project is truly a British and international scandal. GCM Resources Plc is a British company and is backed by banks such as Barclays (UK), UBS and Credit Suisse (Switzerland). Among its other investors are the British hedge fund RAB Capital and the mutual funds manager Fidelity from the US. The ADB’s pull-out sends an important signal to these institutions about the unacceptability of their investment into this project.”

Bangladeshi, British and international civil society organizations (CSOs) are now calling on these financial institutions to follow suit and pull the plug on the Phulbari coal project.

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Notes to the editor:

The Bangladesh Government originally awarded an exploration license to the Australian company BHP Minerals in 1994, which, however, decided against developing a coal mining operation in the area. In 1999 its licenses were transferred to Asia Energy Corporation (Bangladesh) Pty Ltd. Asia Energy PLC was incorporated in the London Stock Exchange Alternative Investment Market (Ticker code: GCM) in September 2003 and acquired 100% of Asia Energy Corp. It subsequently changed its name to Global Coal Management after the August 2006 killings in Phulbari and to GCM Resources Plc in December 2007. According to the company’s 2007 annual report, its major shareholders are RAB Capital, UBS, Fidelity Group, Barclays, Credit Suisse, LR Global, Ospraie Management, Capital Group and Argos Greater Europe Fund.

In order to confirm the ADB’s cancellation of the project, you may contact:

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