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SOUTHEAST ASIA

# Gold mining policy chaos in

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An opponent of the Didipio mine speaks to local people about their campaign to stop OceanaGold renewing its mining rights agreement with the Philippine government. Photo: supplied

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On February 28, a Philippines House of Representatives Indigenous Cultural Communities and Indigenous Peoples Committee public hearing was convened at the mining site of Melbourne, Australian-headquartered OceanaGold Corp, a mid-size miner of gold and copper, in Didipio village, Kasibu township in the province of Nueva Vizcaya some 270 kilometers northeast of Manila.

At issue: Renewal or rejection of the company's application for its mining rights, technically known as a Financial or Technical Assistance Agreement (FTAA), with the Philippine government for another 25 years.

It was no smooth weekend trip for the [committee meeting attendees](#) to the beautiful green mountainous mining area.

Village residents backed by the provincial government, the Catholic Church and various nongovernmental organizations (NGOs) have vowed to continue the struggle, including sustaining barricades blocking access to the mine they launched in June 2019 against the OceanaGold license renewal application.

Hearing attendees were met by protesters led by village official (kagawad) Julie Simongo who [denounced the allegedly public hearing as a “private affair”](#) being held away from the public in the OceanaGold compound. She also said that no invitation had been extended to local officials of Didipio Village (barangay).



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The location of the Didipio gold and copper mine in Luzon, 270km north of Manila, Philippines. Image:  
Asia Times

“We appeal to President Duterte not to renew the FTAA because of  
the mining operation’s terrible impact on the environment,”  
Simongo, also an advisor to local group Samahang Pang Karapatan

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ng Katutubong Manggagawa at Magsasaka, Inc. (Association of Rights for Tribal Workers and Farmers, Inc), said.

“OceanaGold’s mining operation has already degraded our environment and water resources, affecting our agriculture. Twenty-five years of exploitation is already enough,” she added.

OceanaGold was forced to suspend mining operations in October 2019 as barricades by locals blocked incoming supply and outgoing mining product vehicles. The company has vigorously denied all wrongdoing, says it has been implementing environmental standards on par with global leading practices, and rejects Simongo’s allegations.

It also claims it expects FTAA renewal soon and resumption of operations in the second half of 2020.

## **Duterte/Lopez mining policy**

Scenes, claims and counter-claims as just described are repeated in mining regions of the Philippines everywhere since the Duterte

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administration took office in June 2016.

Among the president's first acts – and in stark contrast to the policies of the outgoing Aquino Administration favoring foreign and local mining investment – was the appointment of environmental and human rights activist Gina Lopez as ad interim Secretary of Environment and Natural Resources.

The daughter of Philippines media tycoon Eugenio Lopez, Jr, one time chairman of ABS-CBN and head of one of the country's largest business conglomerates and most powerful political families, Gina had the financial, media and political clout to launch a powerful anti-

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mining campaign, frequently using the slogan, “The Philippines does not need mining.”

In short order, Lopez shut down 23 mines and ordered the suspension of operations of five more, forcing 28 out of 41 mining companies to halt operations on charges of alleged massive environmental violations.

This was a severe blow to the Philippines economy, but as chairperson of the ABS-CBN foundation, Lopez had the wherewithal to launch a very effective public campaign and gained widespread support.

Alas, it did not last. Businesses, politicians and government economic and financial policy officials mobilized a counteroffensive. In May 2017, after less than a year in office, her appointment was rejected by the Commission of Appointments, a constitutional body which confirms or rejects presidential appointments.

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Lopez was out; but the economic damage had been done.

The Philippines is one of the most mineral resource-rich countries in the world with an estimated US\$840 billion worth of mineral wealth as of 2012. It's among the world's top three nickel ore producers (along with Indonesia and Canada) and it is estimated to have the world's second largest gold deposits which lie largely untapped.

Aquino administration officials saw mining as a huge untapped treasure which through exploitation could help sustain annual economic growth in the range of 6%, the growth range needed to absorb annual new entries into the labor force.

Foreign investors noted the large discrepancy between mineral resources and the degree of exploitation.

The Duterte administration continues to talk down the significance of the mining sector and touts strong environmental policies. But it is increasingly clear that the economic facts speak for themselves and with an ever louder voice.

Under Roy Cimatu, Lopez's successor as Environment Secretary, a retired general and the Armed Forces Chief of Staff under President Gloria Macapagal Arroyo, there is a perceptible change in policy outlook.

In a speech in Baguio to the Annual National Mine Safety and Environment Conference (ANMSEC) in November 2019, Cimatu called on the mining industry to change its image and to

institutionalize a “culture of care” in all aspects of mining if the industry wants to play a productive role.

It's no longer shut it down, it's fix it if you want to prosper, he said.

## **OceanaGold: A losing battle?**

Cimatu's call for a culture of care is, of course, in particular directed at foreign miners who not only need to worry about charges of environmental destruction, but also have to cope with the resurgent nationalism of Duterte and charges of rampant exploitation of Filipino national wealth.

OceanaGold, through subsidiary OceanaGold Philippines Inc (OGPI), has been operating the high-grade gold-copper Didipio mine on the strength of the FTAA granted by the Philippine government in 1994.

It acquired Didipio in 2006 through a merger with Climax Mining Ltd and commenced commercial production as an open-pit operation in 2013. In 2016, the mine transitioned from an open pit to

underground operation, with production from the underground commencing in early 2017.

Its 25-year FTAA expired on June 20, 2019, though it can be renewed for another 25 years. That process, though, has become a massive headache for the company, with local government units and indigenous communities demanding non-renewal of the mining contract.

Arguably, the most damaging blow to OceanaGold's management's pursuit of license renewal are the facts that Nueva Vizcaya Governor Carlos Padilla has said that the provincial government remains firm in its stand against the renewal of OceanaGold's mining rights and that the Catholic Church of the region has thrown its support behind non-renewal.

“The mine operations contaminated the watershed. Its tailings do not only pollute Didipio but the entire Nueva Vizcaya. What has been destroyed by mining could not be repaired,” Padilla said in a statement released by the Coalition Against Mining.

Members of the influential Catholic Bishops Conference of the Philippines (CBCP) also supported the calls for the non-renewal of OceanaGold's FTAA.

Bishop Jose Elmer Mangalino of the Diocese of Bayombong cited "Laudato Si," the second encyclical of Pope Francis that touches on the environmental challenges facing the globe, in backing the struggle of the residents against the mining company.

"With Laudato Si, CBCP is more serious and upfront on its actions to protect our common home," he said.

Father Edwin Garinguez, executive secretary of the CBCP's National Secretariat for Social Action, noted that "mining is contrary to the essence of Laudato Si," adding that "extreme weather events, global warming, and disasters due to the climate emergency call for bolder actions towards environmental protection, and the passage of the Rights of Nature."

Near the end of WWII, in a discussion on the future of Eastern Europe, Winston Churchill told Stalin to consider the views of the

Vatican. Stalin reportedly replied, “How many divisions does the Pope of Rome have?”

Mick Wilkes, President and CEO of OceanaGold, may want to consider seriously how many divisions Pope Francis has in the Philippines.

### **Where things now stand**

The day before the ill-fated Feb 28 HoR hearing in Didipio Village reported above, OceanaGold issued a “For love of family, community and environment” showing what great employers they are.

To put an opinionated line into a report: That's an utter waste of time and money.

People who lost their livelihoods as their farmland dried up will not be impressed. Government decision-makers are looking at facts, not at promotional videos released before the day of a hearing.

What investors in OceanaGold want to and need to know is where exactly things stand with the FTAA renewal and with the overall

health of the company going forward.

In its [2020 Guidance](#), the company states:

“In the Philippines, the FTAA renewal is currently under review with the Office of the President following the re-endorsement of the renewal by the Department of Environment and Natural Resources (“DENR”) and Mines and Geosciences Bureau (“MGB”) late in November 2019. The Company continues to have constructive engagement with the national and local governments and with local stakeholders. Didipio remains in a state of operational readiness while the FTAA renewal process continues to progress. When operations resume at Didipio, the Company expects trucking to resume within a week, the process plant within two weeks and the underground mine within three weeks before ramping up over a four- to six-week period.”

All of this is either false or misleading – at best.

The FTAA renewal application, which must be acted on by the Office of the President by June 19, 2020, i.e., a year from the time of the FTAA expiry and by the end of the one-year grace period, is not with the Office of the President, but has been returned by Malacanang for lack of [proof of fulfillment of] NCIP requirements.

Those are, of course, precisely the requirements that are at stake in local level protests, which have not abated.

Talk of “constructive engagement with the national and local governments and with local stakeholders”, upon closer inspection proves just that: talk. Where is the constructive engagement with locals and the local government? Promotional videos hardly are satisfactory proof.

The NCIP process is a lengthy and arduous process and while the Department of the Environment has re-endorsed the FTAA application to the President’s Office, the Department cannot and will not override the satisfaction of NCIP requirements.

OceanaGold needs to secure the Certificate Precondition issued by the NCIP. The CP is a document signed by the NCIP attesting that the tribal members grant their Free, Prior and Informed Consent (FPIC) to the mining project.

There is no evidence that Oceana is any closer to that goal now than at the time it filed for renewal in March 2018.

## **Markets and analysts know**

Since its peak just prior to its FTAA's expiry, OceanaGold's stock on the Australian Stock Exchange (ASX) has dropped from AUD4.56 to AUD2.50. And that's not just the coronavirus effect. Similar lows were reached in mid-December.

Meanwhile, major investment banks have sharply lowered their Target Prices (TP) for OGC. Goldman Sachs Australia on February 25 lowered its 12m TP from A\$4.40 to A\$3.40, by 23%. JP Morgan on February 24 cut its TP from A\$3.50 to A\$3.10.

The reason in both cases is the same: the large uncertainty regarding the resumption of operations and the possibility that the one-year

grace period will pass without resolution and result in OceanaGold's possible loss of the Didipio mine.

When foreigners invested in Philippines mines in the 1990s and early 2000s, they behaved little differently than the imperial powers of old. And old habits die slowly.

The statements and pronouncements by OceanaGold's management on their ability to overcome hurdles to FTAA renewal sound a bit much like the Rudyard Kipling days to inspire confidence.

Is there potential upside to OceanaGold's stock? There is: the possibility of a friendly or hostile takeover of its Philippines properties by a more savvy operator more in tune with the policies pursued by the President's Office and the demands of the local community.

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