

BAESA statement in response to OECD Guidelines complaint brought by Movimento dos Atingidos por Barragens and Terra de Direitos over social & environmental impacts of Barra Grande hydroelectric project (Brasil)

BAESA is a consortium comprising Alcoa Alumínio, Companhia Brasileira de Alumínio (part of Votorantim), Camargo Corrêa, CPFL Geração, DME Energética

BAESA provided this statement to the Business & Human Rights Resource Centre in response to the following items:

- “Alcoa and Votorantim violate OECD Guidelines for Multinational Enterprises by committing socio-environmental crime”, press release by Terra de Direitos & Movimento dos Atingidos por Barragens, 6 June 2005 – also provided in Spanish & French

<http://www.oecdwatch.org/docs/press%20release%20english.pdf>

- “ONG brasileñas acusan a Alcoa y CBA de violar las directrices OCDE en la construcción de una planta hidroeléctrica”, Terra, 6 junio 2005

http://actualidad.terra.es/internacional/articulo/ong_alcoa_cba_ocde_336790.htm

Alcoa also provided a response to these items, available here: <http://209.238.219.111/Alcoa-statement-re-Barra-Grande-OECD-Guidelines-complaint-15-June-2005.doc>

São Paulo, June 14, 2005

Based on the information sent to this entity by the Movement of the Dam Affected People (MAB - *Movimento dos Atingidos por Barragens*) and by the NGO Rights Land (*Terra de Direitos*), BAESA, the concessionaire responsible for the construction and operation of the hydro electrical project of Barra Grande, hereby states:

- BAESA and its stockholders (Alcoa, Votorantim, Camargo Corrêa, CPFL and DME Energética) are big, serious and honest companies committed to Brazil’s development, and totally rejects all the frivolous, thoughtless and groundless accusations vehemently made by MAB and the Rights Land;
- BAESA has been building Barra Grande hydro electrical station very seriously and responsibly. Such company is committed to social and environmental actions that go beyond its real obligations to the local community, always targeting at the population’s welfare and the development of the affected cities;
- In September 2002, MAB signed with BAESA and the Public Ministry of the state of Santa Catarina an agreement to move families out of the region affected by the hydro electric’s future lake. According to such agreement, 1330 families would be compensated by the business undertaking, despite the fact that only 79 families were residing in the region to be flooded and in the permanent preservation area around the future reservoir of Barra Grande hydro electrical station;
- MAB claims that BAESA has not been complying with its obligations to the population. All the terms and conditions set out in such agreement have been strictly complied with by BAESA;
- In order to comply with the agreement, BAESA is building six group rural resettlements to house 209 families, and has also issued 190 letters of credit to enable farmers to acquire

their new properties themselves. In addition to such actions, 911 families have been compensated in cash, by selling to BAESA a portion or the entirety of their properties, as they own pieces of land bigger than 25 hectares or more than one real estate. To acquire such properties, BAESA has paid amounts over the market prices;

- BAESA has invested between \$50,000 and \$100,000 in each one of the families benefited (based on the foreign exchange rate of R\$ 2,50/US\$1). In addition to building or acquiring houses to the families, with water and electrical power supply and community equipment, BAESA has also provided warehouses to store agricultural crops; technical support to cultivation, seeds and soil treatment; support given for the families to regularize their documents and to settle in their new properties. Families are also provided with support allowances until the first harvest is carried out, besides crop support projects developed with the participation of such families; investment of the balance of the letter of credit and soil correction;
- MAB, pursuant to a second social agreement executed with BAESA on December 23, 2004, included more 199 families in those benefited by such undertaking, and most of such families has already their own properties, and used the land acquired by BAESA to complement their incomes;
- The entire social and environmental program deployed by BAESA so as to lessen the impact caused by the undertaking on the affected cities and communities, including health, school education, environmental education, hygiene, safety, among more than 100 programs developed, was approved by the licensing and regulating Agencies, which systemically and periodically inspect the undertaking;
- The environmentalists' argument, concerning the environmental obstacles faced to build Barra Grande hydro electrical plant, is based on the occurrence of fraud in the prior licensing, which certified the environmental feasibility of the undertaking. Fraud is synonymous with deception, to wilfully trick someone else. Consequently, fraud means illegal benefits. In the case of Barra Grande, we must ask the following question: who will be benefited by such mess?
- The undertaking developer has not been benefited. Due to the higher quantity of primary forests and at the advanced regeneration stage of the region where the plant lake will be located, as reported on the inventory provided to IBAMA when the ASV (*Autorização para Supressão Vegetal* – Authorization for Vegetation Suppression) was issued - BAESA signed an agreement with governmental agencies to pay the highest environmental compensation ever paid in the country's electrical sector;
- BAESA was not responsible for the previous environmental licensing. The company, by means of an auction, was awarded with the building of Barra Grande in 2001, after the conclusion of the EIA/RIMA required by ANEEL in 1997, and the previously granted environmental license;
- Araucarias species, as well as the primary vegetation on the site to be flooded, were identified by IBAMA, which is the agency responsible for licensing the undertaking, only after BAESA had submitted the forest inventory of the region to be deforested in order to guarantee the quality of the water in the future station reservoir;
- According to Brazilian's Constitution, Government is responsible for providing electrical power, by itself or by concessions to others. Pursuant to the Brazilian laws, forests are not untouchable. Tree cutting may be carried out to favour public interests, and this is the case

of Barra Grande hydro electrical station construction. Therefore environmental compensations are set forth;

- When the vegetation difference between EIA/RIMA and the forest inventory was found out, an array of compensatory actions had been defined before trees were cut. So as not to delay the undertaking conclusion, virtually built already, all the ordered actions were complied with by BAESA without any question;
- Barra Grande environmental compensations are the highest ever provided for an undertaking of such nature. In addition to those actions already set out in the undertaking basic environmental plan, among them the cultivation of one million seedlings, and 100.000 of them are araucarias, the solution to the standoff generated by the vegetation difference of the inventories, also included to save the germ plasma of those endangered species, in order to ensure their continuance, and the acquisition of an area equivalent to that to be flooded for environmental preservation purposes;
- Baesa do recognize the value of the forest to be flooded. We are aware of the resulting environmental damage, even though it's smaller than that announced by the environmentalists. The Mata Atlântica (Atlantic Woods), whose environmental value is very high, exists mainly in only five of the 702 properties acquired to create the lake and the permanent preservation area. Everyone in the region is aware of that, and they have also known, since 1988, a hydro electrical station would be built on that site, and public hearings took place;
- Mata Atlântica supporters have argued the entire forest existing in such region will be flooded, but that's not true at all. They have been misinformed. A chopper flight over the region is not enough to assess the real impact by the undertaking. Most of the forests will remain above the area to be flooded, to be protected as permanent preservation areas;
- Less than 1% of the trees existing in the area to be flooded (0.66% to be precise) belongs to araucaria's species. There is a significant quantity of araucarias in the undertaking's permanent preservation areas (the site along the margins of the future reservoir, which will not be flooded) and in its adjacent areas, which have already been declared as legal reservation areas not to be affected by the undertaking;
- Since April 2 this year, the vegetation suppression, required to guarantee the quality of the water, has been concluded. The station is ready to initiate the reservoir flooding, and now the undertaking depends upon Ibama only, which agency must authorize the station to operate;
- The longer such authorization is delayed the higher the risk for Barra Grande not to provide power enough to supply 2 million families, almost the total population of the state of Rio Grande do Sul, which has been facing droughts;
- At this moment, the damage is unavoidable, and what we must decide which damage is to be caused. Either the damage is caused to the region's woods, and the compensations are legally paid, or the undertaking is not concluded. If the station is not concluded, there will be big losses to the developers and the respective effects on the federal government and Brazil;
- Barra Grande operation, which more than R\$ 1,2 billion has been invested in, is regarded as critical to ensure the country's electrical power supply, it's really a crucial factor, according to the federal authorities, to support the country's economic growth;

- When the station begins to operate, it will provide maximum power of 708 megawatts, which accounts for 30% of the electrical power demand by the state of Santa Catarina, or 20% of the total power consumed by the state of Rio Grande do Sul;
- BAESA is fully at the disposal of any interested parties to provide all the information on the undertaking, as well as the commitments assumed by the company regarding the construction of Barra Grande hydro electrical station and to lessen the environmental impacts. Please contact the company Imagem Corporativa (phone 55 11 3124-4500) or BAESA web site (www.baesa.com.br).

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