

Gualeguaychú, 5 August 2009

Ms. Meg Taylor
Ombudsman and Compliance Advisor
2121 Pennsylvania Avenue, NW
Room FSK-292
Washington DC 20433
USA

Dear Madam,

We make the current claim on behalf of the Asamblea Ciudadana Ambiental de Gualeguaychú, Asociación Civil (Citizens' Environmental Assembly of Gualeguaychú), a non-governmental organization representing the interests of the citizens of our city as to the impact of the pulp mill established in the city of Fray Bentos by the Finnish company BOTNIA. Your office participated in the phase prior to the concession by IFC and MIGA of the credits; consequently, we request that you become involved in the plant's operational phase, known as "Project ORION No. 23817" within IFC.

This claim is based on the persistent violation of IFC's operational policies mentioned in your audit reports at the time of your prior intervention. Such violations were not corrected but, on the contrary, they have deepened.

The above is within the framework of the events occurred at the Botnia pulp mill as from its start-up, which impacted Argentine territory and which have been deliberately disregarded by IFC. The events will be discussed in the accompanying annexes. This has led to an increase in social demonstrations by the people of Gualeguaychú embodied by our Assembly, which has dramatically made its point in successive demonstrations on the General San Martín bridge, the last of which was held on 26 April 2009 and was attended by over 100,000 people, based on the media's estimates.

Yours very truly,

[SIGNATURE]

Oscar I. Bargas
DNI 10.877.255
Chairman
Asamblea Ciudadana Ambiental
Gualeguaychú

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Moreno Navarro Fabián Alejandro

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ANNEX 1

1. BASES OF THE CLAIM

The claim is based on the violation of IFC operational policies, especially CFI OP 7.50 "Projects in International Waterways". It is also grounded on the violation of the resolution adopted upon approving the credit granted to the Orion project.

It should be noted that it was the CAO who, at the time of her intervention in this process, stated that "*very little emphasis has been placed on the transnational nature of the potential impact of these projects and the legitimacy of the concerns and fears of the communities located in the project area have not been sufficiently recognised*", also mentioning the importance of weighing the impact on the tourist activity in the area.

At the time of approving the credit, despite the grounded legal and environmental issues raised in connection with the project, IFC provided that the operational phase would be monitored by independent experts. It thus re-hired Ecometrix, whose prior intervention had been severely challenged by the public and by independent experts. Moreover, such reports have been prepared on the basis of information provided by the company. This combination is a clear mock on the proclaimed independence.

These reports, to be discussed below, have completely avoided the serious events occurred as from the start-up of the pulp mill. They have failed to evaluate the transnational impact of a huge project located on the shores of an international waterway, widely used by the tourist industry and in an area where food is produced, on the Argentine shores. There have also been contradictory statements between them and IFC.

2. PERCEPTION OF DISAGREEABLE SMELLS CAUSED BY THE EMISSION OF TOXIC GASES

Almost from the beginning of Botnia's pulp mill operations, numerous incidents have taken place related to emissions with strong smells which were widely reported by the media of both countries, impacting on Argentine territory, in the Ñandubaysal resort located downstream from Botnia and even in downtown Gualeguaychú –events which were always denied by the pulp mill.

These events were frequent. We will mention only a few of them as we understand that, based on their significance and repercussion on the media, they should be discussed using mainly the information published on the Montevideo daily newspaper *El Pais*, which may not be accused of attacking Botnia but quite the contrary, and the issues reported by citizens.

21/11/07. Botnia apologized for the disagreeable smell from its pulp mill located in Fray Bentos, where six children and one teacher got sick as a result of the emissions.

According to a spokesperson of the group, the leak of "reduced sulphur compounds", which took place on 21 November 2007, arose from a failure in one of the pulp mill's systems used precisely to reduce smells.

The strong smell reported by the local media reached Fray Bentos and sickened six children and one teacher from school number 53 located in such city.

The spokesperson admitted that this type of smell was perceived four or five times a year, although it did not affect the health of the inhabitants of the area where the pulp is located, on the Uruguayan shores of the River Uruguay, separating such country from Argentina.

However, a few days later, the smell reached the Argentine shore.

Jorge Basso, Uruguayan General Health Director, told the press that the children who had got dizzy from the smell were in no danger and that the symptoms disappeared immediately.

However, he did add that the Ministry of Public Health would evaluate the way in which the operations of Botnia could affect the health of the population of the area.

Edgardo Andino, primary education inspector of the Department of Río Negro (where the pulp mill is located), told the digital newspaper *Observa*, the children did not receive medical care because their recovery was speedy.

However, he did mention that the population of Fray Bentos has been "constantly" surprised by smells and noises since the start-up of the pulp mill.

In addition, Alicia Torres, Environment Director of Uruguay, explained today that the smells "depending on how sensitive a person is, may cause dizziness, but they do not put the health at any risk." It is at the very least funny that the same phrase states that one can feel dizzy but that it does not entail any risk for one's health.

27 November 2007. Boiler failure causes smell in Fray Bentos

New smell emissions were felt in Fray Bentos on that morning as a result of an incident in Botnia's pulp mill.

As reported by the Company, an involuntary mistake from a plant worker caused it to suffer an unexpected power cut and it also lost its connection to the national network. Thus, the auxiliary boilers stopped causing large smell emissions. The press release issued by Botnia states that "in the first analysis of the reasons for the event we identified that a boiler control device had turned off causing the security system to stop the boiler. This resulted in an interruption in the generation of energy produced by the plant itself and it resulted in a sudden demand in the use of the power from the national network which is used as support, causing its security systems to interrupt its supply. Thus, the pulp mill and the auxiliary boilers stopped working generating an emission of smell into the air."

Unlike the events of the prior week, when the emissions were restricted to the area close to the pulp mill, in this case, the smell was perceived throughout town. Several neighbours called the local radio stations to report the episode.

A week ago, a smell episode from the plant caused six school children from Fray Bentos to feel dizzy. At the time, the Company stated that the fifteen-minute event occurred because of plant adjustment processes.

29 November 2007. El Potrero Area (Argentina)

On Thursday, care was given to two adolescents at Hospital Centenario in Gualeguaychú after they inhaled a strong smell in the El Potrero area, close to the Botnia pulp mill in Fray Bentos. Hugo Gorla, the Hospital Chief, reported that the adolescents presented similar symptoms: irritated eyes and throat, and nausea. He also stated that the cases will be added to the statistics recorded “to prove the transnational pollution and how the pulp mill emissions affect health.”

The patients were a female aged 15 and a male aged 16, who reportedly live in such rural area and were transferred to downtown Salus after the intervention of the authorities of School No. 216 Esteban Piaccenza.

Gorla told *Noticias Argentinas (NA)* that the youths presented irritated eyes and throat, and nausea, and he believed the symptoms were caused by inhaling the emissions of the Botnia pulp mill located in Fray Bentos.

30 January 2008. Fray Bentos – Ñandubaysal (Argentina)

This event should be granted special attention since on this occasion the pulp mill emissions reached the Ñandubaysal resort in the middle of the tourist season affecting the area's activity in the two subsequent days. This is how the events took place considering the article story published by *El País* from Montevideo and the issues reported by those affected in the resort.

The Uruguayan daily reported that on 29 January Botnia's pulp mill was paralysed by a sequence of mechanical episodes which caused plant stoppage for 48 hours. On the other hand, a Finnish worker suffered burns in a labour-related accident although the events were unrelated.

A failure in a measurement instrument activated the security system which in turn stopped the main boiler in the pulp mill. The episode caused an immediate plant stoppage.

Florencia Herrera, Communications Manager of Botnia, told *El País* that “when operations were restarting, the fibre pipeline was damaged.”

A strong smell upon the start-up of the pulp mill was perceived in Fray Bentos at 2 am.

So far, this was the information published by *El País*. But what should be mentioned in this case is that the strong smell that was perceived in Fray Bentos also reached the Ñandubaysal resort.

On 29 January at dawn, the café *Skorpio*, located on the Ñandubaysal beach, was covered by a disgusting smell for about 50 minutes.

The same happened at dawn on the following day for a shorter period of time.

To discuss the events we will use reports made at the Environmental Alert Office of the Municipality of Gualeguaychú by those present at the time.

Barrere Christian Ariel, Argentine, DNI 21.924.972, reported: *that at 1:30 am on Tuesday, January 29, 2008, the employees of the business Confitería Balneario Ñandubaysal, notified that they and the tourists sitting on the terrace perceived disagreeable smells. He went to the area and proved that the smells described by the personnel were real and similar to sewer smells. He added that during the half hour that he remained at the café the smell remained constant and that a similar event occurred around 3:30 am today for a shorter period of time, between 15 and 20 minutes.*

Costa Nicolás Lorenzo, Argentine, DNI 24.596.463, stated that: *while working at the kitchen of the café at the Ñandubaysal resort he perceived a disagreeable smell. When he went to the terrace he thought that the smell came from the lavatories but after checking that they were in good condition and due to comments made by his workmates and tourists -who were covering their nose- he realised that the smell came from the Botnia pulp mill. The smell was constant for 45 to 60 minutes and similar to sewer or rotten egg smells. The event occurred at 1:30 am on 29 January 2008. The same happened at dawn on 30 January 2008 but for a shorter period of time.*

Rojas Gisela Vanesa, Argentine, DNI 33.854.948, declared: *that she was at her job in the Ñandubaysal resort café on 29 January 2008. At 1:30 am she suddenly started to perceive a smell (according to her it was like the smell of tanneries). After a few minutes the smell became stronger and it lasted from 45 to 50 minutes. She reported that the smell was changing and at times it was similar to rotten egg. At the time she was with a workmate who perceived the same smell. She explained that she felt discomfort in her nostrils and stated that she saw a large amount of smoke around Botnia. She mentioned that the same happened at dawn today.*

Oroná María Gisela, Argentine, DNI 35.040.934, stated: *that at 1:15 am on Monday, January 29, 2008, she was at the bar of the Ñandubaysal resort café and she perceived a strong tannery and burnt leather smell; at that time, tourists entered the café but they had to leave owing to the smell. She believes it was perceived during 50 minutes. About 15 minutes after she started perceiving the smell she felt nausea. She looked at Botnia and saw a significant amount of grey smoke low and a large amount of white smoke emitted by the chimneys. The same thing happened at 3:30 am today, 20 January 2008. Tourists witnessed the event.*

Espósito Lisandra, Argentine, DNI 29.466.194, declared: *that at around 3:30 am on 30 January 2008 she was working at the Ñandubaysal resort and she started to perceive a strong smell (rotten mud) similar to a chemical substance. She believes the smell was felt during around 15 minutes. She saw white smoke from Botnia and stated that the wind was changing. She added that there were tourists at her place of work who perceived the same as she reported.*

Gudoni Carlos María, Argentine, DNI 20.361.313, reported: *that he was at his place of business, a cart and bicycle rental store at the Ñandubaysal resort, on 29 January 2008 at 1:20 am. He was with a group of tourist friends –who were camping at the resort– with whom he had had dinner. They started to feel a disagreeable smell similar to rotten egg. They sought the origin of the smell and went to the shores. There they saw a kind of mist over Botnia and due to the wind at the time they realised that the smell came from the pulp mill. It lasted from 50 to 60 minutes. On 30 January 2008 they were at the café Skorpio at around 3:00 or 3:15 am and they perceived the same smell from Botnia.*

The statements above show the disagreeable smells at the resort and the impact on the tourists and workers present at the time. As mentioned in the claim, the report prepared by the Argentine Delegation assigned by our Ministry of Foreign Affairs to the **GTAN** stated that strong smell episodes mainly related to mercaptane methyl were expected at the Ñandubaysal resort in the City of Gualeguaychú.

However, the report released by Botnia recognised the existence of smells but disclosed *false* information on winds disregarding the impact on our shores, particularly at the resort.

We always said that winds, especially in summer, would take this *stench* to the shores of the resort; therefore, as expected, the tourists would leave the area never to come back and would talk about this bad experience. This would clearly impact on the resort. We also stated that this would occur close to the beginning of the pulp operations. Well, it is happening. The sued company deliberately concealed this information. The damage that we have always sought to avoid is now taking place.

In addition, it should be noted that contrary to the statements by the sued firm, these smells are much more than that. The fact is that the substances that cause it and those accompanying these emissions are harmful for the health, as will be proven in the evidence to be provided during the proceedings. So far it should be enough to say that the smells are related to the so-called reduced sulphur compounds or TRS. Most TRSs are made up by sulphydric acid and to a lesser extent a compound called mercaptanes. When smells are perceived, which are typical to a Kraft plant, it entails the presence of these mercaptanes –having less effects on health due to their scarce concentration– and sulphydric acid, which is considered to be one of the most dangerous gases for health, being among those subject to the tightest controls in developed countries. In this regard, the declarations of Elías Matta, a chemical engineer, in case No. 56.204 styled "BUSTI JORGE PEDRO Y OTROS S/ DENUNCIA ART. 55 LEY 24051 EN GRADO DE TENTATIVA" filed with this Federal Criminal and Correctional Law Court, Clerk's Office No. 1 are particularly relevant. Such proceedings shall be submitted as evidence because of their importance.

26 January 2009. Ñandubaysal – City of Gualeguaychú (Argentina)

Closer in time, on 26 January 2009, strong smells from the Botnia pulp mill were perceived during a period of about two hours, first at the Ñandubaysal resort and then in the City of Gualeguaychú. The repercussion of the event was immediate. It was such that we should consider that the event is “public knowledge”.

A notarial verification was drawn on that day at the resort, the evidence of which has been attached hereto, gives an account of the events. Some of the reports have been included below.

Cristian José QUIROZ, DNI N° 23.710.080, born on 13 January 1974, in his first marriage, domiciled at Concordia N° 873, Gualeguaychú, Argentine, of age, competent, states that he is a police officer, in charge of the post at the resort, and that he was doing his routine round in the police car with another police officer and that in the area close to the beach, an area called "*centro recreativo*" (recreational area), at around 10:30 am, they perceived a strong smell similar to gas. He then asked the people in the area if they felt the same smell since they feared that it could relate to a gas leak. The rest of the people in the area inquired also perceived the same smell. He states that it remained the same for about 30 minutes. When he went back to the post, it was less intense. While he perceived the smell his eyes were somewhat irritated; **Rubén Florencio ROA, DNI 11.057.954**, born on 16 May 1954, in his first marriage, domiciled at Roffo N° 409, Gualeguaychú, an Argentine citizen, of age, competent, stated that he started to feel the smell at around 9:30 am today. He works at the camp site control office. He says that he perceived a mix of gas and rotten onion smell, that he closed all the windows and that campers appeared at the place to complain about the disagreeable smell. They said that they intended to stay for the rest of the week-end but that due to the smell they would leave the camp site because they did not know how dangerous it could be and how long it would take for it to go away. Comments were repeated and a significant number of people decided to leave the area for that reason. The number of people checking out of the camp site was recorded in the office computer. At the end of today he will print a copy of such information so that it may be added to the protocol; **Andrés Filiberto COCERES, DNI No. 20.343.042**, born on 4 November 1968, in his first marriage, domiciled at Angeleri N° 1.966, Gualeguaychú, an Argentine citizen, of age, competent, states that he is a police officer, who was doing his round with QUIROZ in the recreational centre when they started to perceive a strong disgusting smell. At first, he thought that it could be gas and started inquiring the people in the area. They found out that the smell did not originate at the camp site. It was very strong so it made it difficult for them to breath. The wind blew from the other shore of the river towards the grocery store of the resort. All the people in the place said they felt the same suffocating smell; it was not something isolated, it was a suffocating smell. They returned to the post, where the smell was less intense; **Agustín Melchor BARRERE, DNI No. 25.559.043**, born on 6 November 1976, single, domiciled at Balneario Ñandubaysal, Departamento Gualeguaychú, Provincia de Entre Ríos, an Argentine citizen, of age, competent, stated that he was at the café *Skorpio*, located on the beach, where he works. It was around 10:00 am when he started to perceive a smell similar to rotten onion. Some people were having breakfast and left the place because they became sick. He then went to the cottage where he lives. He found his three-year old daughter with nausea due to the smell. The wind blew from the south-east, from Botnia. The smell was really disagreeable and his throat felt itchy;

Patricia Inés ROJAS, DNI No. 31.689.548, born on 12 June 1985, single, domiciled at Calle del Inmigrante N° 51, Gualeguaychú, an Argentine citizen, of age, competent, stated that while she was having *maté* with her boyfriend at the beach (it was around 10:30 am) a strong gas-like smell was perceived. It then became similar to rotten onion smell. At the time they were at the “*náutica*” so they moved to a different location, but the disgusting smell was persistent. They saw that a lot of smoke was coming out of Botnia and the wind blew from there. Her nose was irritated and she was too sick in the stomach to drink more *maté*. They moved to the exit area because the smell was unbearable but it was as unbearable there; **Sergio Daniel CUELLO, DNI No. 29.958.362**, born on 10 December 1982, domiciled at F. Ameghino N° 1652, Florencio Varela, Partido de Sarmiento, Provincia de Buenos Aires, an Argentine citizen, of age, competent, stated that he is a tourist who left Gualeguaychú at around 9:30 am and that while travelling along the road to Ñandubaysal they started to feel a strong smell so they closed the vehicle windows to prevent the smell from entering. When they arrived at the resort area they perceived a very strong smell too. It was disagreeable and similar to rotten onion.

These statements are added to the hundreds of events reported to the Environmental Surveillance Office of the Municipality of Gualeguaychú and attached hereto.

The major public repercussion of this event gave rise to several news stories, including an article with a picture of the resort published on the newspaper *La Nación*, which we have attached hereto. The text under the picture read: “*Tourists left the Ñandubaysal resort, located close to Gualeguaychú, because of disagreeable smells.*”

As stated above, the damage is already consolidating. It calls for your immediate intervention.

In this case, in the light of the undeniable events, Botnia recognised the incident: “*This morning, on Monday, January 26, maintenance tasks were performed in one of the condensate pumps of the Fray Bentos pulp mill. Upon restarting the pump, odorous gases were released from 10:10 to 10:47 am. The community should rest assured that such gases do not affect human health or the environment.*”

It is clear that this statement lacks information. It does not disclose any detail related to the gases dumped without any control and that were detected dozens of kilometres away. They simply issued a supposedly reassuring release regarding the health and the environment. At this stage, this is a typical way of handling events by this company. Without any technical information and without apologizing for the event, it intended to minimize it although it is well aware of the fact that it was not the first event and it will –unluckily– not be the last one.

The accompanying notarial document memorialized the record of the number of tourists that left the area which was prepared by the Access Control Office of the resort. Such record showed an unusual number of tourists leaving the resort, especially on a Monday. The losses would have been greater if this had happened during the weekend.

These are only some of the cases recorded. The gas emissions of the pulp mill are constant. It may be said that we are at the wind's mercy.

3. REPORT ON DIOXINS

At the same time the smells in Gualeguaychú and the Ñandubaysal resort became public, the Instituto Nacional de Tecnología Industrial – INTI (Argentine Industrial Technology Institute) released a very serious report to the press.

Such report stated that although the dioxin levels in river sediments close to the pulp mill were below the limits for inevitable damage established by the WHO, the difference between the samples taken in such area and those taken upstream, close to the city of Concepción del Uruguay, was significant. Dioxins for the latter area amounted to only 0.06 thousandth of a milligram per ton, while close to the Ñandubaysal resort they are close to 0.32 thousandth of a milligram. The chairperson of the INTI estimated that the difference (over 500%) in the figures resulted from the presence of Botnia. The study was carried out based on samples taken in August 2008. The actual fact is that the increase in highly polluting substances has been exponential. This is the case especially bearing in mind that dioxins are biocummulative and not biodegradable; therefore, they accumulate both in the river bed and in the food chain. The chairperson of the INTI mentioned that if these amounts continued to rise the situation would be of concern.

It should be noted that contrary to the authorised bibliography an the historical experience, Botnia's EIA stated that the technology used by the company in its Fray Bentos pulp mill would entail no dioxin or furan emissions. To do so, it used an ambiguous word: “*undetectable*”. The fact is that if there are emissions and they are easily detectable. In this case, IFC was also evaded by fallacious reports prepared as was suitable to Botnia's interests.

4. STAIN IN THE RIVER URUGUAY

A few days after the last episodes of smell and the publication of the INTI report mentioned above, a huge white chemical stain mixed with a great concentration of algae appeared in the River Uruguay directly from Botnia.

Even without knowing the full composition of the white stain, basic analyses performed by the Municipality of Gualeguaychú clearly show a chemical organic base consistent with the inputs used by industries such as Botnia. The extension of the spillage is also impossible to conceal since it covered all the river from Fray Bentos ten kilometres upstream. The public statements made by the company and Uruguay's Government attributing the phenomenon to an accumulation of algae are surprising.

Some considerations should be made in this regard. The algae mentioned are not innocuous –a fact that is well-known to both parties and that they have maliciously concealed in this case.

In addition, the magnification of this phenomenon in the river due to Botnia's operations is not unknown to any of the parties either.

Finally, apart from algae, the stain had harmful effects for the life of the river, the composition of which was duly exuded by Argentine authorities and submitted as evidence to the International Court of Justice at The Hague. Once the court releases such documents –in only a few weeks– we will access the information, which will confirm the seriousness of the spillage concealed both by Botnia and by CFI through the appointed consulting firm (Ecometrix).

Going back to the event of the algae, it should be borne in mind that the report on eutrophication prepared by the DINAMA anticipated it. We have included some of its essential paragraphs:

The DINAMA stated that *"The water quality data presented in the Environmental Impact Study show that most of the parameters analysed are within the limits established by Decree 253/79 and the Digest on the Uses of the River Uruguay issued by CARU, for Class I waters (raw waters used for public supply with a conventional treatment). However, on the basis of the information disclosed in the Environmental Impact Study, we may conclude that there are several parameters exceeding these standards. In some cases, the values recorded even exceed the limits for less demanding uses."*

"Analysis of the current status and potential effects of the pulp mill. The eutrophication processes of aquatic systems arise from an increase in the nutrients contributed, mainly phosphorous and nitrogen. ..."

"Eutrophication is generally evidenced in a proliferation and accumulation of microalgae or higher plants. The important development of microalgae gives rise to a series of interferences in the uses of the affected systems, mainly when toxic algae flowerings occur, as in the case of many cyanobacteria found in the River Uruguay. These flowerings are a sanitary risk for consumers and bathers, and they generate large economic losses as they interfere with certain uses of the water such as recreational and tourist activities, or for drinking water treatment. They may cause disagreeable smells or taste, and changes in water colour, which considerably increase the costs of drinking water treatment costs."

"According to Environment Canada, although the quality of the effluents of pulp mills has substantially improved over the past few years, the effects on the aquatic biota are still evident. There are several examples in which the discharges of effluents from the kraft pulp mills subject to secondary treatment, as in the case of the pulp mill under analysis, have favoured eutrophication processes in fast-flowing rivers. ... In Canada recent studies on benthonic communities in rivers have shown patterns in response to eutrophication as a result of exposure to pulp mill effluents owing to the nutrients and organic matter present in such effluents"

"The periods of low current speed and high temperatures (over 20°C) increase the probability of flowerings of potentially toxic cyanobacteria. Some of the main factors determining algae flowerings in the River Uruguay include high temperatures and low current speed in periods with low amounts of water of up to 0.018 m/s in the area of the river where the plant will be located. High nutrient concentrations and scarce zooplankton activity are added to these conditions. This"

combination of characteristics currently presented by the river is, consequently, favourable for dense cyanobacteria flowerings to occur.

"... In addition, in the future, the effluent from the pulp mill will discharge 200 tons of nitrogen and 20 tons of phosphorous per year –being these values similar to the untreated sewage effluents generated by a city with a population of about 65,000." (emphasis added)

"The inorganic fractions of nitrogen and phosphorous of biologically treated effluents from a pulp and paper mill are easily available for algae growth (Priha M. & A. Langi. 2000. The impact of nutrient loading of pulp and paper mill effluents on eutrophication of receiving waters. Proceedings of the 4th international conference on environmental impacts of the pulp and paper industry. The Finnish Environment. 417 p.). Laboratory tests have proven that there is a clear stimulation in the growth of algae with dissolved phosphorous and nitrogen inorganic substances (Balode M., M. Pfeifere, I. Purina & S. Bekere. 2002. The role of nutrients and their behaviour in development of phytoplankton cenoses of the Plavina reservoir. Report from LUBI, Riga). Therefore, these fractions could favour eutrophication processes in the discharge areas close to the pulp mill. "

Therefore, it is highly probable that dilution situations smaller than estimated be generated over the period of operation of the plant. This gives rise to an underestimation of the evaluated impacts, mainly in connection with the critical periods. Since these minimum volumes of water occur during the summer, normally in January and February, when the beaches and river are used more, the impact on the recreational and tourist uses of the area of influence could be more important than those provided for in the Environmental Impact Study." (emphasis added)

Uruguayan authorities were well aware of Botnia's responsibility in the worsening of these phenomena but they flagrantly concealed it from public opinion.

What actually got to the public was the deplorable state that the River Uruguay started to have in the area of influence of the pulp mill. The repercussion in the main mass media, the picture on the front page of *La Nación*, one of the most important newspapers in Argentina (which has been attached hereto) is clear evidence and confirms our fears. The aggression to the environment close to the pulp mill, especially to the river on our coasts, is impacting very negatively on the tourist appeal of the area and its future feasibility. Should this environmental degradation process continue to worsen, all tourist projects in the area are bound to fail, an issue that your office always considered a cause of concern.

At present we have the first results of the analyses performed at the laboratory of Obras Sanitarias in the Municipality of Gualeguaychú. A copy of such report has been attached hereto.

Such studies show that dissolved oxygen levels are "0", which means that there is no life in the stain which appeared in the River Uruguay because there is no oxygen. Living beings (biota) have no life.

As stated, we are still not aware of the results from the analyses made by those who prepared the studies on the environmental surveillance of the River Uruguay by Argentina. Your office will very probably be able to obtain them.

5. None of these events have been evaluated by IFC or MIGA. Such was the case in spite of the fact that in its prior intervention the CAO emphasized that the following were the major issues and concerns presented by the claimants:

- **How to address in a believable and comprehensive manner the issue about the potential impact of the proposed projects, who they will impact and how to address the issue of compatibility between the tourist development and the large-scale industry in the River Uruguay;**
- **how to ensure that the CFI project approval process respects and ensures the interests of the people in the area; and**
- **how to ensure that the legal and administrative arrangements for the planning and monitoring of, and compliance with the transnational aspects of these projects are effective, responsible, accountable and have resources.**

IFC has not studied them in the past and it is not willing to verify them now. The CAO's intervention is, once again, imperative.

6. Ecometrix Reports

As part of the authorization process of this credit, IFC ordered that independent experts monitor the project. However, this has been bastardized. The task was requested to the firm Ecometrix, whose previous studies were severely challenged, even by the Argentine Ministry of Foreign Affairs and the CAO. Moreover, such reports have been prepared on the basis of information provided by Botnia on its operations.

Truly independent experts have severely challenged these reports. We will especially mention the statements by the chemical engineer Elías Matta in articles sent to the scientific magazine *International Journal of Environment and Health*, which dramatically warn on the concealment of the actual consequences of Botnia's operations in our region.

Although the first study on the first 180 days of operation of Botnia has been attached hereto (*International Journal of Environment and Health*, Vol. 3, No. 2, 2009) we have included below some conclusions disclosed in the second article, where Ecometrix's March 2009 report on the operations of 2008 is analysed.

“5.1. The Ecometrix-World Bank report of March 2009 confirms the issues preannounced in the prior study of the consulting firm: the high (excessive) level of the pollution load imposed by Botnia on all the area of the low River Uruguay. Based on the known background, in only a few years, this pollution load will cause a serious and irreversible damage on the flora and fauna of the area, as well as on the health of its population.

5.2. From the figures included in the report, we may assume the existence of 8,500 tons of toxic emissions for all of 2008. However, owing to the incomplete information presented and the serious omissions, a more realistic estimation shows continuous toxic

emissions of 15,000 tons and 50 million equivalent toxic units (ng TEQ) of dioxins and furans. Having all of those been poured into the river and discharged into the atmosphere in a single year.

5.3. For the second time, Ecometrix failed to provide any information on pertinent parameters to illustrate the “status of the environment” in its “Environmental Performance Review of Monitoring Year 2008”.

5.4. The Ecometrix report is far from reaching the technical clarity and quality to be expected from an international expert group. Omissions, repetition of mistakes and a confusing presentation of vital information discredit its statements and raise doubts as to its roles as World Bank "independent consultant".

The reports requested by IFC to Ecometrix lack the minimum soundness and impartiality required. In addition, they were not prepared on the basis of OP 750 applicable in the case of projects on international waterways since they disregard once again the transnational impact of the pulp mill. This is why we will believe that it is necessary and urgent that your office participate to exert independent control in this phase of operations of Botnia. Such control should consider the guidelines of the abovementioned OP and the serious incidents that have been occurring on both sides of the river –events which have been systematically disregarded by IFC. That it may adequately weigh the serious environmental damage occurring on a daily basis, whether through toxic leaks (gases such as sulphydric acid), water pollutant substances (dioxins, furans, and heavy metals in the sediments of the River Uruguay across the port of Botnia, generation of toxic algae), ongoing disgusting smells in all the area and the City of Gualeguaychú and many other consequences damaging the ecosystem, health and social and economic activities of the population on both shores.

To such end, we request that you:

- 1) initiate new audit tasks under the terms disclosed herein;
- 2) verify whether the issues indicated by you when you participated in the process in the past have been and are being complied with;
- 3) visit the region again to verify in situ the environmental and social reality of the actual impact of Botnia.

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