

KEYNOTE ADDRESS

**DENR SECRETARY JOSE L. ATIENZA, JR
MINING PHILIPPINES 2009 CONFERENCE AND EXHIBITION
SOFITEL PHILIPPINE PLAZA HOTEL
SEPTEMBER 16, 2009; 9:50 TO 10:10; MINDANAO BALLROOM**

VICE PRESIDENT NOLI V. DE CASTRO, MR. BENJAMIN PHILIP ROMUALDEZ, PRESIDENT, CHAMBER OF MINES OF THE PHILIPPINES, DISTINGUISHED GUESTS, PARTICIPANTS,...GOOD MORNING.

LAST WEEK, I DELIVERED THE KEYNOTE ADDRESS DURING THE INTERNATIONAL CONFERENCE ON GREEN INDUSTRY IN ASIA WHERE, IN THE PRESENCE OF HER EXCELLENCY, PRESIDENT GLORIA MACAPAGAL ARROYO, THE VARIOUS ENVIRONMENT MINISTERS OF ASIA ADOPTED A MINISTERIAL DECLARATION TO PURSUE THE PATH OF GREEN INDUSTRY AND A FRAMEWORK ACTION PLAN TO MANAGE THE TRANSITION TO RESOURCE-EFFICIENT AND LOW-CARBON INDUSTRIES.

I MADE MENTION THAT *“THE PRACTICE OF GROW NOW, CLEAN UP LATER IS NO LONGER ACCEPTABLE. WE NEED TO GROW AND SOLVE OUR ECONOMIC PROBLEMS IN AN ENVIRONMENTALLY-SUSTAINABLE MANNER. WE ALSO NEED TO PROTECT OUR ENVIRONMENT IN WAYS THAT WILL CREATE JOBS, INCOME AND ECONOMIC GROWTH. THIS IS SUSTAINABLE DEVELOPMENT.”*

THOSE STATEMENTS ALSO FIND RELEVANCE IN THIS HALL, AMIDST MINING INDUSTRY EXECUTIVES AND PROFESSIONALS WHO HAVE LONG INSISTED THAT THEY ALSO BELONG TO THIS SUSTAINABLE DEVELOPMENT ORIENTED WORLD.

INDEED, FOR THE MINING INDUSTRY, “ABOVE GROUND ISSUES” (OR THE SOCIAL AND ENVIRONMENTAL ISSUES) HAVE BECOME EQUALLY, IF NOT MORE, IMPORTANT AND CHALLENGING THAN THE ISSUES “BELOW GROUND” (OR THE ACTUAL MINING ISSUES).

RIGHT FROM THE START, MINING HAS HAD PROBLEMS IN RECONCILING WITH THE VISION OF SUSTAINABLE DEVELOPMENT. THIS IS MAINLY DUE TO THE REALITY OF THE NON-RENEWABLE NATURE OF RESOURCES AND THE EXTRACTIVE NATURE OF A MINING OPERATION. MINING CONTINUES TO STRUGGLE WITH THE GENERAL PERCEPTION THAT ONCE EXTRACTED, MINERALS ARE IRREVERSIBLY GONE AND THEREFORE, MINING IS IN CONFLICT WITH SUSTAINABLE DEVELOPMENT.

IT DOES NOT HELP THAT MINING IN THE PHILIPPINES HAS A POOR PUBLIC IMAGE AND IS FACING SOCIAL OPPOSITION IN MANY FRONTS. THE IMAGES OF THE MARCOPPER DISASTER, RAPU-RAPU INCIDENTS AND OTHER SIMILAR INCIDENTS ARE IMPRINTED IN THE MINDS OF MANY. MINING IS ALSO WIDELY SEEN AS CREATING WEALTH ONLY FOR THE ELITE WHILE THE LOCAL COMMUNITY TAKES ALL THE SOCIAL AND ENVIRONMENTAL RISKS AND RECEIVING, AT BEST, TOKEN BENEFITS.

COPING WITH THIS NEGATIVE IMAGE IS PROVING TO BE COSTLY FOR THE INDUSTRY.

THE CHALLENGE FOR THE INDUSTRY AND THE GOVERNMENT IS TO ENSURE THAT THE ECONOMIC AND SOCIAL BENEFITS GENERATED DURING THE LIFE OF THE MINE WILL BE TRANSLATED OR REINVESTED INTO LONG-TERM BENEFITS FOR OUR HOST COMMUNITIES AND FOR THE COUNTRY.

THE PRINCIPLES OF *RESPONSIBLE MINING* HAVE LONG BEEN ENSHRINED IN THE PHILIPPINE MINING ACT OF 1995 AND ITS IMPLEMENTING RULES AND REGULATIONS. STRONG FOCUS ON THE ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES OF MINING COMPANIES IS ENSURED FOLLOWING THE PRONOUNCED OBJECTIVE THAT “*MINING PROJECTS THAT CANNOT ABSORB THE ENVIRONMENTAL AND SOCIAL COSTS OF MODERN MINING SHALL NOT BE ALLOWED TO PROCEED*”. THE ADOPTION OF THE REGULATIONS ON “*INTEGRATED MINE CLOSURE*” THAT REQUIRED THE ESTABLISHMENT OF THE FINAL MINE REHABILITATION AND DECOMMISSIONING FUND COMPLETED THE DIRECT ENVIRONMENTAL COSTS PRESCRIBED TO ADDRESS THE ENVIRONMENTAL IMPACTS OF MINING. THIS IS CONSISTENT WITH THE PRINCIPLE OF OWNER PAYS PRINCIPLE WHERE THE MINING COMPANY IS RESPONSIBLE FOR THE COMPLETION OF MINE REHABILITATION UNTIL RELIEVED OF LIABILITY.

THE MINING ACT AND ITS IMPLEMENTING RULES AND REGULATIONS ALSO PRESCRIBED THE SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM (SDMP). THIS IS CONSIDERED AS THE TOOL TO IMPLEMENT PLANS, PROGRAMS AND PROJECTS OF THE COMPANY TOWARDS THE SUSTAINED IMPROVEMENT IN THE LIVING STANDARDS OF THE MINING PROJECT’S HOST AND NEIGHBORING COMMUNITIES. ONE OF THE FEW OF ITS KIND, THE SDMP, HAS THE PRIMARY OBJECTIVE OF CREATING RESPONSIBLE, SELF-RELIANT COMMUNITIES CAPABLE OF DEVELOPING, IMPLEMENTING AND MANAGING COMMUNITY DEVELOPMENT PROGRAMS CONSISTENT WITH THE PRINCIPLES OF PEOPLE EMPOWERMENT AND SUSTAINABLE DEVELOPMENT. THE SDMP IS CURRENTLY FUNDED WITH 90% OF 1% OF THE ANNUAL DIRECT MINING AND MILLING COSTS. THERE IS ALSO THE NATIONAL WEALTH SHARE FOR LOCAL GOVERNMENT UNITS WHILE INDIGENOUS PEOPLES, ARE ENTITLED TO AT LEAST 1% OF THE

ANNUAL GROSS REVENUE AS ROYALTY IN CASE THEIR ANCESTRAL LAND/DOMAIN IS DEVELOPED FOR MINING, PRE-CONDITIONED ON THE GRANT OF THE FREE AND PRIOR INFORMED CONSENT.

THE MINING ACT AND ITS IMPLEMENTING RULES AND REGULATIONS WERE REINFORCED IN 2004 BY EXECUTIVE ORDER NO. 270, THE NATIONAL POLICY AGENDA ON REVITALIZING MINING IN THE PHILIPPINES.

THE DECISION TO PROMOTE AND REVITALIZE MINING IS ANCHORED ON THE RECOGNITION THAT DONE IN A RESPONSIBLE MANNER, MINING CAN SIGNIFICANTLY CONTRIBUTE BOTH TO THE GOVERNMENT'S DESIRE FOR SUSTAINED ECONOMIC DEVELOPMENT AND POVERTY REDUCTION IN THE COUNTRYSIDE. RESPONSIBLE MINING IS ONE OF THE CURRENT PILLARS OF THE COUNTRY'S ECONOMIC AGENDA, ON THE WAY TO SUSTAINED ECONOMIC PROGRESS.

SINCE 2004, THE GOVERNMENT HAS BEEN PROMOTING OVER 60 MINING, EXPLORATION AND PROCESSING PROJECTS, WHICH COLLECTIVELY CAN BRING ABOUT UP TO **US\$14.8 BILLION** IN INVESTMENTS UNTIL 2013. FROM 2004 TO THE FIRST SEMESTER OF 2009, ABOUT \$2.4 BILLION HAVE BEEN INVESTED IN THE SECTOR WITH ANOTHER \$450 MILLION EXPECTED THIS YEAR.

AFTER A NEGATIVE PERFORMANCE IN THE SECOND HALF OF 2008 DUE TO THE GLOBAL ECONOMIC CRISIS, THE PHILIPPINE MINING INDUSTRY IS PROJECTED TO REGISTER A GROWTH OF 9% IN 2009. THIS POSITIVE OUTLOOK IS ATTRIBUTED TO THE COMING ON STREAM OF SIX NEW MINES NAMELY: CARMEN COPPER PROJECT IN CEBU, MASBATE GOLD PROJECT IN MASBATE, PALAWAN HPAL LINE 2 NICKEL PROJECT IN PALAWAN, TVI BASE METAL PROJECT IN

ZAMBOANGA DEL NORTE, PHILSAGA CO-O GOLD PROJECT IN AGUSAN DEL NORTE AND CTP CARRASCAL NICKEL PROJECT IN SURIGAO DEL SUR.

STILL, LEADING THE PACK IS SAGITTARIUS MINES INC. - XSTRATA COPPER'S TAMPAKAN COPPER PROJECT IN SOUTH COTABATO, A WORLD-CLASS MINING PROJECT WITH THE POTENTIAL TO BECOME AMONG THE BIGGEST IN THE WORLD. THIS PROJECT IS CERTAIN TO BECOME THE SINGLE BIGGEST FOREIGN INVESTMENT IN THE PHILIPPINES WITH ITS CURRENT PROJECT COST ESTIMATE OF A STAGGERING US\$ 5.2 BILLION. OTHER BIG TICKET PROJECTS INCLUDE SUMITOMO'S HPAL NICKEL PROJECT AND PHILEX'S BOYONGAN COPPER-GOLD PROJECT, BOTH IN THE CARAGA REGION.

NOTWITHSTANDING OUR MODEST ACHIEVEMENTS, WE WILL CONTINUE TO STRENGTHEN OUR COMPETITIVE EDGE. POLICY REFORMS ARE FORTHCOMING, TO FURTHER STREAMLINE THE SYSTEM ON THE GRANT OF MINING TENEMENTS. THESE SHALL FOCUS ON FURTHER REDUCING PROCESSING TIME AND CLEANSING OF NON-MOVING MINING APPLICATIONS. ALONG WITH THE OTHER MAJOR REFORM INVOLVING THE REDUCTION OF THE PROCESSING TIME ON THE ISSUANCE OF ENVIRONMENTAL COMPLIANCE CERTIFICATES, WE LOOK AT THESE REFORMS TO TRANSLATE INTO IMMEDIATE AND SUCCESSFUL PROJECTS ON THE GROUND.

CONTRARY TO WHAT CRITICS HAVE SAID, THE DECISION TO LIBERALIZE THE MINING INDUSTRY TO ENHANCE THE COUNTRY'S COMPETITIVENESS FOR MINERAL INVESTMENTS DID NOT LIMIT OUR CAPACITY TO ENFORCE SOCIO-ECONOMIC AND ENVIRONMENTAL STANDARDS. THIS HAS BEEN VALIDATED IN ONE

INTERNATIONAL SURVEY WHEN ONE FOREIGN INVESTOR IN THE PHILIPPINES COMMENTED THAT:

“IN THE PHILIPPINES, THE LAW IS PROMOTING THE DEVELOPMENT OF THE MINING INDUSTRY BUT AT THE SAME TIME STRICT ON ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES”

WE ARE AWARE THAT WHILE MINING AND MINERALS MAY NOT BE THE ONLY CURE FOR NATIONAL DEVELOPMENT, WE BELIEVE THAT THE DEVELOPMENT OF OUR MINERAL WEALTH WILL HELP US ACHIEVE SUSTAINED ECONOMIC DEVELOPMENT AND IMPROVED QUALITY OF LIFE FOR OUR PEOPLE.

LET US THEN ENDEAVOR THAT THIS FORUM SHALL ONCE AGAIN MARK OUR RESOLVE TO PURSUE RESPONSIBLE MINING AS A MEASURE OF ATTAINING AN IMPROVED QUALITY OF LIFE OF OUR PEOPLE.

THANK YOU VERY MUCH.