



Glencore mining production suspension at KCC in DRC and Mopani in Zambia: a strategy to deprive the two states of their public financial resources needed

African Resources Watch (AFREWATCH), a human rights organization promoting transparency in the exploitation of natural resources in Africa is concerned by Glencore's decision to suspend its mineral production for 18 months at KCC in DRC and Mopani¹ in Zambia due operational costs and internal restructuring². This suspension of mining production would deprive the two countries of millions of dollars and may cause thousands of job losses.

Through its subsidiary companies in DRC and Zambia, Glencore produces around 259,000 tons of copper for a USD 5 billion investment of which USD 2.8 billion invested at KCC in DRC and 2 billion ventured at Mopani in Zambia³. KCC has created 10000 jobs of which 4500 are direct and 5500 are indirect⁴; Mopani employs 20000 local and expatriates workers of which 9000 are employed directly and 11000 indirectly⁵.

In addition, in 2013 KCC and Mopani paid respectively USD 298.720.473 to the DRC⁶ and 106.485.974 of taxes to Zambia⁷.

The DRC and Zambia's EITI reports reveal that during the last 9 years, mining companies, e.g. KCC and Mopani, were reluctant to pay their income taxes, since most of them are operating within the exclusivity period through which they are recovering their respective investment costs. While only a few firms have started paying their income taxes this year, the DRC and Zambia are impatient to receive income taxes from companies that are still operating within their "exclusivity period".

¹ Structure of shareholders: Carlisa Investments Corporation [filial of Glencore and First Quantum] (73.1 %), First Quantum (16.9%) et a Zambian state owned company (10%).

² <http://mines-industries.com/2015/09/07/glencore-suspend-la-production-de-cuivre-dans-deux-mines-de-zambie-et-rdc/>

³ Information on Mutanda Mining are not included in this press release

⁴ <http://www.lacroisette.org/xsette/?p=13960>

⁵ <http://www.glencore.com/public-positions/supporting-development/supporting-development-in-zambia/>

⁶ Rapport ITIE-RDC 2013, Kinshasa, Juillet 2015, p.79

⁷ Zambia Extractive Industries Transparency Initiative : reconciliation report for year 2013, December 2014, p.40

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Glencore and its filial companies (Katanga Mining Limited and Carlisa Investments Corporation) unilaterally announced a possible suspension of production at KCC and Mopani and of new investments in order to reduce production costs.

While this decision may solve problems related to operational costs, it will certainly increase more the investment cost. The production suspension will have an impact on the recovering of past expenses, without having any effect interest rates which will increase the debts of the two mining projects. Therefore Glencore will earn more when mining investments will be profitable for the two States and their public institutions. In addition, the production suspension will have an immediate impact on millions of dollars in lost revenues in these two states.

Moreover such a possible decision will directly have a negative impact on workers and will indirectly affect their respective families.

For AFREWATCH, Glencore's decision would deprive the two states of their financial resources and would significantly affect jobs in Kolwezi in the DRC and Kitwe in Zambia whose economies depend on mining exploitation.

In this regards, AFREWATCH calls upon the governments of DRC and Zambia on one side, and state owned companies of these two countries on the other side, to come together in order to:

- initiate talks with the Katanga Mining Limited shareholders and Carlisa Investments Corporation which are Glencore's filial companies in DRC and Zambia;
- disapprove any supplementary investment at KCC and Mopani before constructive talks are held to motivate Glencore's decision;
- ensure that Glencore's interests from financings made to its subsidiary companies in the DRC and Zambia do not increase during the production suspension period;
- protect workers' rights based on existing labour legislations.

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