

PROJECT SUMMARY INFORMATION: MOPANI COPPER PROJECT (ZAMBIA)

1. Private sector Operation

2. The Project

The project concerns the first phase of the rebuilding and modernisation of the Mufulira copper smelter part of Mopani's¹ operations. i.e. a new primary smelting furnace, a matte settling furnace, an oxygen plant, a sulphuric acid plant and upgrade of the related infrastructure and installations. It will replace outdated technology and equipment, increase smelting capacity and significantly reduce dust and SO₂ emissions.

3. Financing Proposal

Borrower/Promoter: Mopani Copper Mines Plc, a company incorporated in the Republic of Zambia

Amount: EUR 48 m, up to the equivalent of USD 50 m, to be disbursed in EUR or USD

Term: 12 years

Terms and Conditions: Senior loan on Investment Facility resources

Interest: The Bank's reference rate for lending plus credit risk spread

Article 14/28 Member States' Committee opinion:

The Investment Facility Committee gave a favourable opinion on the project at its meeting on 28th October 2004.

Financing plan:

	EUR m	%
Proposed financing from the Investment Facility	48	50
Own funds of the promoter	48	50
Project cost	96	100

4. Value-added identification

Consistency with the priority objectives of the EU (Pillar 1)

The project is fully consistent with EU objectives as specified in the Cotonou Agreement and the mandate given to the Bank under the Investment Facility.

Zambia was the world's 4th largest copper producer in 1969, but in the 1970s and 1980s production (under State ownership) decreased substantially: restructuring and privatization of the mining sector was completed in 2002. With a private sector-driven mining industry, Zambia is now better placed to stimulate economic growth and reduce poverty. Investments in modern mining practices, like the Mopani project, reduce the environmental liabilities created by past mining practices and create additional value through downstream benefits (employment, infrastructure, skills, etc.). The project's financing closely corresponds to the Investment Facility's objectives to create development through private sector, commercially run enterprises.

Quality and soundness of the investment (Pillar 2)

As one of the two copper smelters in Zambia, the project will upkeep and expand the local capability to process concentrates from mining activities in Zambia's Copperbelt (both from MCM's own mines, and from others). The project will directly secure at least some 1 210 jobs and stabilise another 4 800

¹ Mopani Copper Mines Plc (MCM) is an integrated copper and cobalt producer located in the Copperbelt of Zambia

at MCM. The local availability of smelting and refining capacity increases the locally added-value of mining operations and copper related exports, and reduces transport costs.

Currently, the Mufulira smelter's SO₂ emissions are totally vented. The envisaged investments in the auxiliary sulphuric acid plant will eliminate up to 97% of the SO₂ emissions of the primary smelter. MCM will use most of the produced sulphuric acid internally, while the balance will be sold in the Copperbelt and surrounding regions. The project is considered sound and of high quality in terms of its technical, economic and environmental impact.

Financial value-added (Pillar 3)

The proposed loan from the Investment Facility is for a term of 12 years which is longer than can be accessed in the local banking market. The preparedness of the Bank to lend to the borrower, with appropriate pricing and security conditions, without external guarantee, contributes to the development of a strong and sustainable corporate sector in Zambia.

5. Key issues

Environmental issues

Promoters are committed to staged investments in order to comply with Zambian environmental regulations by 2015. As a result of the Bank's project, MCM will bring these investments forward and the proposed project is the first stage of an investment programme at the end of which in 2014 the Mufulira smelter's SO₂ emissions will be in line with Zambian environmental regulations and World Bank guidelines for copper smelters and reflect EU principles based upon best available technology (IPPC Directive). The project complies with the Zambian EPB/EIA permitting process, which is in line with the principles of the EU Directive 97/11 on environmental impact assessment. If located within the EU, this project would fall under Annex II of the EU Directive 97/11 regarding environmental impact assessment requirements (point 13 for the smelter modernization and expansion, point 6(b) for the oxygen and sulphuric acid plant). As the project is located within an existing industrial area, negative nature conservation and biodiversity issues do not arise

Social Issues

MCM has been very successful to turnaround the loss-making mining activities, generating added value, reflected in salaries, royalties and corporate taxes. It further contributes to the Mining Community Development Fund. The project secures at least some 1210 jobs, 660 in the smelter and 550 in the refinery, and stabilises another 4800 at MCM. However, the economic ripple effects extend much further as there is a close interdependence between the mine and the town's well being. MCM will continue to contribute to the provision of adequate housing, school and clinic services and has initiated a small farming project for ex-employees. It has a pronounced HIV/AIDS policy in place and is actively involved in a malaria programme. The company promotes core labour and safety standards.

Conclusion

The relevant environmental issues have been properly addressed by the promoter. The project is the first stage of an investment which at its completion will ensure that EU standards will be met. The environmental impact is largely positive due to the overall reduction of some 250 000 t/a of SO₂ emissions. The EIB intervention adds environmental value to this project by accelerating the planned investment and making it unconditional. The project is in line with all key points of EU and the Bank's environmental policy and is therefore deemed environmentally and socially acceptable.

6. Previous Relations with the Borrower/Promoter

The Bank has no previous relations with the borrower.
