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## [Brazil: Stora Enso and Aracruz plan the world's biggest pulp mill](#)

In a few weeks' time, shareholders in Veracel will decide whether to build a massive pulp mill in the Brazilian state of Bahia. Veracel's CEO, Erton Sanchez, described the project: "This will be the largest single line production mill in the world with a capacity to produce 900,000 tons a year. Fully bleached Elemental Chlorine Free pulp will be produced targeting the top end segment of the pulp market. Total investment will be around US\$930 million."

Veracel is a joint venture between the Swedish-Finnish giant Stora Enso and Brazilian-Norwegian Aracruz. Aracruz is the world's largest producer of bleached eucalyptus pulp and controls 170,000 hectares of eucalyptus plantations in Bahia and Espirito Santo. To make way for the vast Aracruz plantations, Tupinikim and Guarani indigenous peoples, afro-brazilian 'quilombolas' communities and other local communities have lost their forests and their lands.

Jukka Harmala, Stora Enso's CEO says that his vision for the company is "to be the leading forest products company in the world". Harmala told Pulp and Paper International in June 2001 "Our priority in Latin America is to find good fiber sources." In 1999, Bjorn Hagglund, deputy CEO of Stora Enso, explained to the Financial Times that the company's strategy was to increase its pulp operations in Brazil to secure raw material for its paper mills in China and Thailand.

A decision on whether to proceed with the pulp mill was to have been made at the end of 2002. "This project has been so complicated, and it's a big one. It's been postponed until March or April, mainly because of the economics and so forth," explained Timo Heikka of Strategy and Investments at Stora Enso.

Veracel has already planted 63,000 hectares of eucalyptus plantations on the 147,000 hectares of land that the company owns in Bahia. Another 6,000 hectares is to be planted. Regardless of whether the proposed pulp mill goes ahead, Aracruz will buy 3.5 million cubic metres of timber from Veracel's plantations between 2002 and 2004.

Stora Enso's Timo Heikka visited the project area in September last year. He said, "When it comes to the biodiversity and social issues it seems to be one of the best alternatives all in all in the Southern hemisphere." Veracel's Sanchez claims that 78,000 hectares will be set aside for "preservation and recuperation" of the mata atlantica forest. He also mentioned that Veracel owns the Veracruz Station, a 6,000 hectare forest reserve which is recognised by UNESCO as a world heritage site.

Sanchez did not mention that when Veracel arrived in Bahia in 1991, the company planned to convert 80 per cent of its land into eucalyptus plantations. It was only through the intervention of Brazilian NGOs and the union of forestry workers, that the Brazilian environment agency insisted that 6,000 hectares of forest be set aside as a protected area. Neither did Sanchez mention that Veracel has cleared forest to set up its plantations only a few kilometres from the Veracruz Station (see WRM Bulletin 39).

In October 2001, the European Investment Bank (EIB), the financing institution of the European

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Union, announced that it had approved a US\$30 million loan to Veracel for its plantations in Bahia. EIB's Senior Information Officer, Yvonne Berghorst said, "Reforestation with eucalyptus has a beneficial long term influence on the soil by reducing erosion, increasing the infiltration and storage of water and improving the chemical and physical properties and fertility of the soil."

Berghorst's optimism is in stark contrast to the reality faced by communities in Espirito Santo who are forced to live with Aracruz's plantations. In May 2002, in a letter to state-officials of Espirito Santo, local communities, trade unions and NGOs described how streams had dried out since Aracruz started to plant. The letter continued, "For the local communities and the environment in general, sustainability of eucalyptus plantations is very much questioned, as it is a monoculture of trees with an extremely short cycle, demanding large amounts of chemical fertilisers and agro-toxics."

Stora Enso, EIB, Aracruz and Veracel's representatives did not answer questions about how many people have been moved off the land to make way for Veracel's plantations. Erton Sanchez, Veracel's CEO, commented "The occupation index is extremely low since the population lives on land that isn't the property of the company." He added that the land to be planted has been "previously degraded by former landowners."

José Augusto Tosato from CEPEDDES, a local NGO, challenges the company's argument that the land was degraded. Tosato points out that Veracel established its plantations on previously productive grassland and smallholders' properties.

Stora Enso's Environment and Social Responsibility Policy states, "Stora Enso considers an open discussion and interaction with all stakeholders, both governmental and non-governmental, as fundamental." In the case of Veracel, an open discussion is not possible, as environmental impact assessments for the plantations and the pulp mill are not available for general public scrutiny.

In response to a request for the EIA, EIB's Yvonne Berghorst said, "The EIA is a public document that can be obtained from the competent authorities of the state of Bahia, or from Veracel Cellulose S.A."

When asked for the EIA, Erton Sanchez, Veracel's CEO, replied, "The documentation is comprised of 14 volumes with around 2,800 pages. It exists only in printed form therefore it is not feasible to send an electronic copy. Nevertheless these documents are available for consulting at CRA (Environmental Resource Center), a Bahia state governmental agency based in Salvador."

If Veracel's project documents are not freely available, an open discussion is not possible. Any shareholder decision must be postponed to allow civil society in Brazil, Norway, Sweden and Finland the chance to contribute to an open discussion on Veracel.

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