

“The Public Eye Awards”

Nominations form

*Nominated company (name):

Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG)
Wiesentrasse 20
06727 Theißen
Germany

Owners (via the holding company MIBRAG B.V. Amsterdam):

NRG Energy, Inc., 901 Marquette Avenue, Minneapolis, MN 55402-3265 USA
Washington Group International Inc., 720 Park Blvd., Boise ID 83729 USA

Short description of the company:

MIBRAG is the leading mining enterprise in the Middle German region (the central part of East Germany) with an annual production of approx. 21 million tons of brown coal. Its main customers are Vattenfall Europe in Lippendorf near the city of Leipzig (approx. 12 million t/a) and E.ON/Saale Energy in Schkopau near Halle (5 million t/a). Deliveries are additionally made to various industrial power stations. In the year 2003, turnover amounted to 303.9 million € and the net profit 33.1 million €. The company, which was denationalized in 1993/94, has kept its promise to the German privatization agency (*Treuhandanstalt*) in providing work for about 2,000 employees. However, over 44,000 jobs have been lost since 1990 due to reductions in mining output and the rationalization of production. Total investments have amounted thus far to approximately a three-quarter billion €. The MIBRAG chief executive officer is the American Bruce P. DeMarcus.

The half-owner NRG Energy is the world's third largest power utility that was formed in 1989 as a subsidiary of the power and gas company Xcel Energy. Washington Group international is the fourth largest construction contractor in the USA that was founded in 1912 under the name Morrison Knudsen Construction Co and participated in the 1930's in the consortium of “Six Companies” building the Hoover (Boulder) Dam.

Nominated for the following award categories:

- X environment
- X human rights
- O labour rights
- O corruption
- X special prize _Destruction_of_historic_landmarks_
(name a award category in the style of the above)

More than one category can be chosen, if a company has acted irresponsibly in all these areas or if it cannot be assigned to just one category. In this case the organising committee will decide the final category.

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Reasons for nomination:

Under this heading there should be presented as much information as possible on the irresponsible behaviour of the nominated company – ideally covering each of the points below, including references or sources. Please use a separate page for each case example of the company. Additional supporting material such as reports or newspaper articles, and also film material, is welcomed.

General information on the case and date or time period

Due to 52 million tons of brown coal (lignite) assumed to lie at this location, MIBRAG intends to destroy the medieval village of Heuersdorf with its approximately 40 architectural monuments. This intention is covered by the German mining law, which was instituted during the Third Reich to achieve military effectiveness (*Wehrhaftmachung*) of the utility companies. Since that time, over 300 villages in Germany have been sacrificed to lignite mining. Although Heuersdorf has made several proposals for using renewable energies as a labor-intensive substitute for the highly rationalized and environmentally detrimental brown coal, neither MIBRAG nor the federal and state governments have been receptive thus far to any such solution. The explanation lies among other things in the feared precedent that would be established by successful resistance, which could make the continuation of German lignite mining substantially more difficult.

In the USA, both MIBRAG parent companies have effectively used brown coal mining in Germany to enhance loan security, while decreasing and/or destroying the assets of their stockholders as a result of financial mismanagement,

Characteristics of the company's irresponsible behaviour

MIBRAG relies on a number of unfounded claims in order to secure and expand the dominant role of lignite (which is responsible for 85 percent of the electrical power consumed in Saxony) for power generation:

1. *Brown coal use is tolerated by the environment.* In reality, lignite mining causes significant groundwater depletion. The long-term effects have yet to be investigated under the influence of climate change. While brown coal also accounts for only 11 percent of energy consumption in Germany, it is already responsible for 22 percent of CO₂ emissions.
2. *Brown coal requires no subsidies.* A study of the Federal Environmental Agency has recently shown that the German brown coal industry benefits from advantages equivalent to subsidies on the order of 1 billion € per year. When indirect costs are added e.g. due to health detriments and long-term effects on the global climate, the total amount increases to 4.5 billion €. With reference to the annual German mining output of 180 million tons, each ton of brown coal thus causes additional burdens of up to 25 €. The fuel itself is sold for approximately 10 € per ton to power station operators.
3. *The resettlement of Heuersdorf is socially acceptable.* The forced resettlement of humans from their traditional homeland is justifiable only if it is predominantly the public interest and not – as is the case of Heuersdorf – if it

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serves only to maximize the profits of a private enterprise. A socially acceptable resettlement requires the participation of a majority of the population. By contrast, MIBRAG continues to separate individual families in Heuersdorf from the community by providing attractive financial allowances in order to liquidate the village through a process of demographic erosion. Approximately 40 architectural monuments as well as the numerous natural landmarks nonetheless cannot be displaced to new settlement areas. They are instead intended to be destroyed and erased from the collective memory of the population.

The disregard of private property is also reflected in the behaviour of the MIBRAG parent corporations, NRG Energy and Washington Group International. Largely unnoticed by shareholders, the companies exceeded their credit lines several years ago. After filing for Chapter 11 bankruptcy protection, they subsequently settled the claims of creditors out of court with payments of newly issued stock. The private shareholders, however, suffered substantial stock price losses, which in the case of Washington Group International ultimately led to the complete liquidation of existing shares valued at over a half billion US dollars. The American Mark von Halvorsen lost a quarter million dollars on one day, the main part of his old-age pension.

Consequences

The priority use of brown coal for power generation in eastern Germany constitutes a questionable precedent for the future development of the energy industry both domestically and in foreign countries. The case of Heuersdorf demonstrates particularly clearly that:

- the progressive dehydration of landscapes and the emission of CO₂ accompany brown coal power generation,
- the political support of this fuel using subsidizing benefits currently amounting to around 5 € per ton burdens governmental budgets and results in considerably higher health and environmental damage (in the present case at costs of approximately 20 € per ton of brown coal), and
- mining resettlements mean the relinquishment of irreplaceable cultural monuments - both tangibly (loss of historical buildings) and socio-politically (dissolution of established village communities) – without providing new occupation perspectives in the highly rationalized mining industry.

Since MIBRAG remained unaffected by the bankruptcy proceedings of the two American owners, it was not sold to pay their debts. The private shareholders, whose securities were instead devalued, were informed only after the insolvencies had occurred despite their factual ownership of the enterprises according to guidelines of the US Securities and Exchange Commission SEC.



Heuersdorf im Herbst



Emmauskirche in Heuersdorf

Demands made to the company

The high contribution of brown coal to eastern German power generation is rendered counterproductive by excessive ancillary costs. A reduction of coal use in favour of other kinds of energy could be justified without restricting competitiveness, as soon as all indirect costs had been included into the determination of electrical power tariffs. MIBRAG and its American owners and hereby called upon:

- to stretch available coal reserves over a longer period of time in order to reduce annual CO₂ emissions,
- to compensate for the ensuing energy deficit with a mixture of renewable energies and energy conservation measures, and
- to expand this technology in combination with incomes from emissions trading (CO₂ reduction) in order to avoid the destruction of cultural monuments in places such as Heuersdorf.

The American MIBRAG owners should provide their shareholders with the opportunity of voting on these individual issues.

Sources / references

- "Heuersdorf Aktuell", www.heuersdorf.de/Ha.html
- Jeffrey H. Michel, "Stärkung der MIBRAG durch Insolvenz und Umsiedlung", www.heuersdorf.de/Wgi1.html
- Jeffrey H. Michel, "Historic Heuersdorf", article in "Heritage at Risk", edition 2004/2005, of the International Council for Monuments and Sites (ICOMOS)
- Community of Heuersdorf, "Standpunkt der Gemeinde Heuersdorf zur Braunkohlenutzung", www.heuersdorf.de/Streck1.html
- Sonya Garrett Koch, Jeffrey H. Michel, "Kyoto and Heuersdorf" (in preparation)

Nomination submitted by

Name of individual or organisation: Verein "Für Heuersdorf" e. V.

Name of contact person: Jeffrey H. Michel

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The contact person may be contacted for any follow-up queries from the organising committee. It is also planned to make this information available to the interested public in the lead up to the award ceremony (on www.evb.ch/publiceye.htm). Please tick below if you do not wish this to happen.

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