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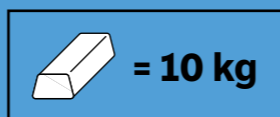
# EUROPE'S RISKY GOLD

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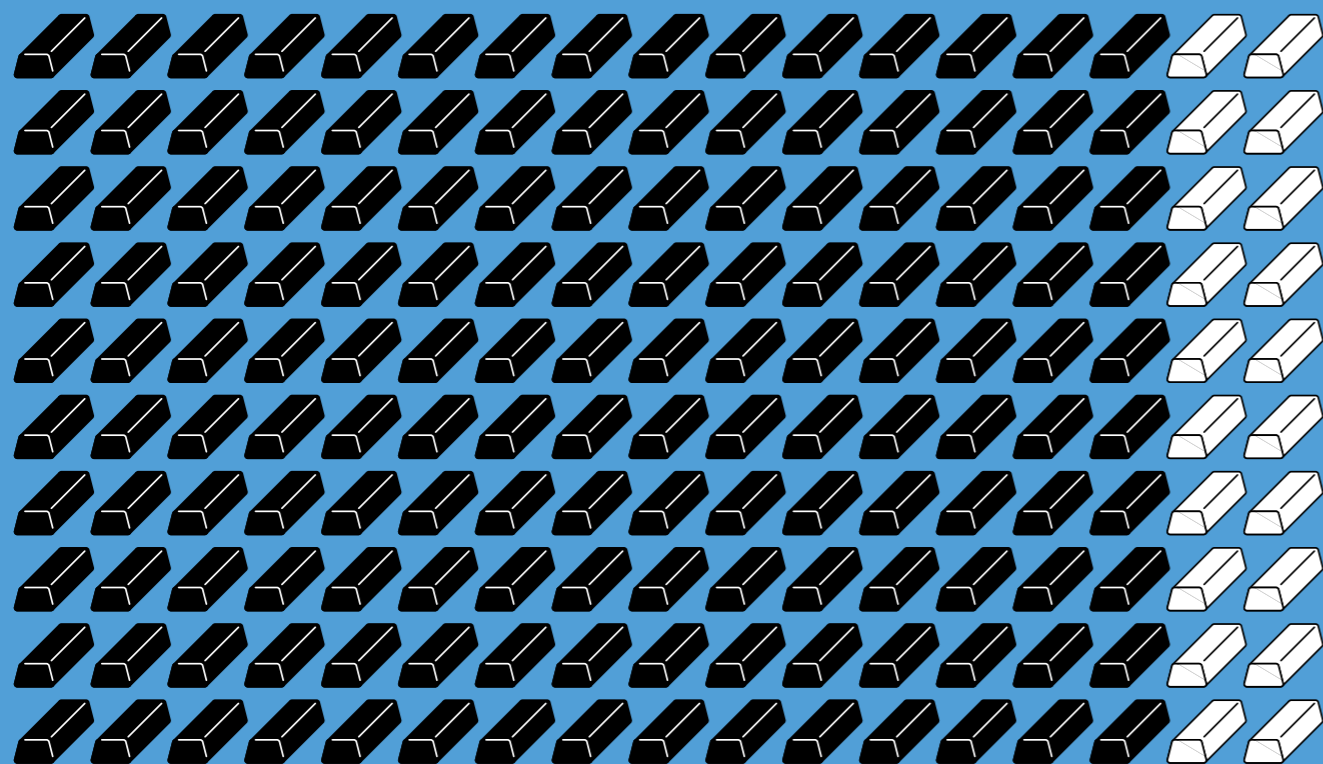
# Europe's Risky Gold



In 2023, the European Union imported approximately **1.7 tonnes of gold from Brazil**



worth **USD 99 million**



**1.5 tonnes of gold from Brazilian areas exposed to a high risk of illegality**

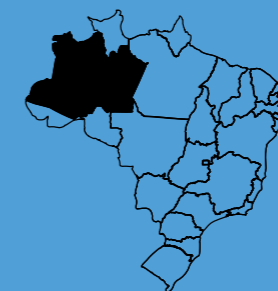


worth **USD 93 million**



of European Union gold imports from Brazil are exposed to a **high risk of illegality**

## GERMANY

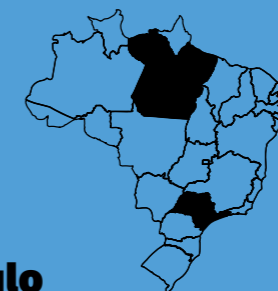


**Sourced 1,289 kilos** worth USD 78 million from **Amazonas**



**100%** at risk

## ITALY



**Sourced 254 kilos** worth USD 15 million from **Pará and São Paulo**



**71%** at risk

## CZECH REPUBLIC



**Sourced <1 kilo** worth USD 1,920 from **São Paulo**



**100%** at risk



**USD 3.5 billion** worth of gold exported to the world from Brazil, a total of 68 tonnes.



Brazil is the **14th** largest gold-producing country in the world<sup>1</sup>



**54%** of Brazilian total gold production shows signs of illegality<sup>2</sup>

1. World Gold Council. Available at: <<https://www.gold.org>>. Last visited on June 24, 2024.

2. Instituto Escolhas (2022). Gold with evidence of illegality breaks record and exceeds 50 tons. Available at: <[https://escolhas.org/wp-content/uploads/2022/12/Onepage\\_Raio-X-Ouro\\_ING.pdf](https://escolhas.org/wp-content/uploads/2022/12/Onepage_Raio-X-Ouro_ING.pdf)>.

# 94% of European Union gold imports from Brazil are exposed to a high risk of illegality



3. According to data of the Brazilian National Mining Agency.

In 2023, European Union (EU) countries – Germany, Italy, Czech Republic, and Portugal – imported 1.7 tonnes of gold from Brazil, worth USD 99 million (Table 1). However, 1.5 tonnes of this gold, worth USD 93 million (94%), is exposed to a high risk of illegality (Table 2).

This risk arises when gold comes from Amazon rainforest regions where wildcat gold mining prevails. The proof of origin can hardly be determined in these areas, and strong signs of illegality have already been identified. These regions include the Brazilian States of Pará and Amazonas, where gold production is predominantly based on wildcat mining<sup>3</sup>, and the State of São Paulo, which produces no gold and acts solely as a hub for wildcat gold exports.

This alarming fact poses a big question for EU countries: are current laws and companies' due diligence efforts effectively avoiding tainted gold, or does a blind eye persist?

Germany, Italy, Czech Republic, and Portugal imported from Brazil

# 1.7 tonnes of gold



## ILLEGAL GOLD MINING IN INDIGENOUS TERRITORIES INCREASED SIXFOLD

Brazil is the 14th largest gold producer in the world. Its production is primarily directed towards exports, making the EU one of its primary destinations (Table 1). Alarming, 54% of Brazil's gold production shows signs of illegality, predominantly in the Amazon region<sup>4</sup>. This fact poses a significant challenge for countries sourcing gold from Brazil if they aim to ensure a responsible trade.

The issue of Brazilian gold is particularly challenging since:

- i. **Widespread and increasing illegal mining:** illegal mining is rampant, especially in Indigenous territories in the Amazon rainforest, leading to environmental damage, mercury contamination, and human rights violations.
- ii. **Proof of origin:** the wildcat gold market operates with multiple intermediaries, making any due diligence effort to verify the origin and legality of gold challenging.

Over the last decade (2012-2022), illegal gold mining within Indigenous territories in Brazil has increased more than sixfold. In 2012, these activities accounted for 3,459 hectares; by the end of 2022, the activities covered an area of 22,637 hectares (Figure 1). The most affected territories include, but are not limited to, the Kayapó territory (13,775 hectares) and the Munduruku territory (5,464 hectares<sup>5</sup>), both in the State of Pará, and the Yanomami territory in the States of Roraima and Amazonas (3,278 hectares).

Furthermore, wildcat miners regularly use mercury — a highly toxic metal used to separate gold from other materials. Between 2018 and 2022, Brazil likely used 185 tonnes of illegal mercury in wildcat gold mining operations<sup>6</sup>. This use is a ticking bomb for the environment and the health of Brazilians, particularly those dependent on the Amazon rivers, such as indigenous and traditional communities.

Another disturbing fact is the substantial increase in deforestation due to mining activities in the Amazon region. Between 2015 and 2023, deforestation linked to mining totaled 69,331 hectares. Despite annual variations, the trend points to an increase (Figure 2).

4. Instituto Escolhas (2022). Gold with evidence of illegality breaks record and exceeds 50 tons. Available at: <[https://escolhas.org/wp-content/uploads/2022/12/Onepage\\_Raio-X-Ouro\\_ING.pdf](https://escolhas.org/wp-content/uploads/2022/12/Onepage_Raio-X-Ouro_ING.pdf)>.

5. In the Munduruku territory, the illegal mining area comprises gold and tin activities.

6. Instituto Escolhas (2024). Where does so much mercury come from? Available at: <[https://escolhas.org/wp-content/uploads/2024/07/EN\\_SUM\\_Mercury.pdf](https://escolhas.org/wp-content/uploads/2024/07/EN_SUM_Mercury.pdf)>.



## A BIG RED FLAG FOR DUE DILIGENCE

Governments and companies should be aware that it may be difficult to trace the origin of gold when importing wildcat gold from Brazil. Wildcat gold passes through many hands and companies before reaching international markets. Due diligence efforts and 'know your supplier' policies are incredibly challenging in this context.

Unlike gold extracted by mining companies, which can be sold directly from the mines, wildcat gold follows a complex chain of intermediaries. Initially, wildcat gold must be sold to financial institutions authorized by the Central Bank of Brazil. These institutions purchase gold from numerous wildcat mines — sometimes hundreds — and then pass it on to other companies and traders for export.

To make matters worse, people involved in the wildcat gold business — miners, cooks, aircraft pilots, fuel sellers, etc. — often get paid in gold and use the gold they receive as an alternate parallel payment method within wildcat mining regions. Consequently, when gold leaves a wildcat mining site, it passes through many hands before individuals finally sell it to an authorized financial institution.

With so many intermediaries, the exact origin of the gold is unlikely to be determined, and this is precisely what countries and companies should consider when buying wildcat gold from Brazil. How will they carry out the proper due diligence and ensure the origin of the gold they purchase?



**With so many intermediaries, the exact origin of the gold is unlikely to be determined**

## EU Conflict Minerals Regulation

Regarding due diligence in the trade of minerals and metals, the EU has enacted the Conflict Minerals Regulation, which has been in force since January 1, 2021<sup>7</sup>. This regulation establishes supply chain due diligence obligations for EU importers of tin, tantalum, tungsten, and gold originating from conflict-affected and high-risk areas.

While it sets a foundation for due diligence, it appears to fall short of ensuring these minerals and metals are imported only from responsible sources. Detailed obligations are not set for all imports but depend on where minerals and metals originate, which can lead to blind spots in the supply chain. Additionally, the regulation applies if imports reach a minimum annual volume threshold (100 kilos for gold), which ill-intentioned merchants can easily control to avoid inspection. Transparency is also lacking since there is no public information on the EU importing companies.

Indeed, criticism has grown around the regulation's effectiveness. In October 2023, 20 NGOs, including Instituto Escolhas, signed a joint statement calling on the EU to step up its enforcement and adopt new measures<sup>8</sup>.

There remains a big question over whether the EU will improve the regulation to ensure responsible trade. The current reality is that despite Brazil's systematic and widespread illegal gold mining within Indigenous territories, EU members continue sourcing gold from regions where wildcat mines predominate, proof of origin is fragile if existent, and human rights abuses persist.

7. Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas. Official Journal of the European Union, L 130, 19 May 2017. Available at: <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2017:130:-TOC>>.

8. Joint NGO Statement: EU Conflict Minerals Regulation Failing to Reach Its Goals. October 19, 2023. Available at: <[https://ipisre-search.be/wp-content/uploads/2023/10/20231019\\_Joint-NGO-statement\\_EU-Conflict-Minerals-Regulation-failing-to-reach-its-goals\\_.pdf](https://ipisre-search.be/wp-content/uploads/2023/10/20231019_Joint-NGO-statement_EU-Conflict-Minerals-Regulation-failing-to-reach-its-goals_.pdf)>. Last visited on June 24, 2024.



# It is about time Europe plays its part

In 2023, Brazil advanced essential measures to combat illegal gold mining and human rights violations<sup>9</sup>. If EU governments and companies are serious about responsible trade of minerals and metals, they must act and be able to answer the following questions:



**WHICH MINES ARE YOU SOURCING GOLD FROM?**



**WHO ATTESTS TO ITS ORIGIN? HOW?**

Without this information, they cannot guarantee responsible sourcing. To put the gold trade on track in this direction, the following measures must be implemented:

- A. It should be mandatory for **all importers** to trace the mines they are sourcing from.
- B. Importers should also **publicly report** the mines from which they source minerals and the names and locations of their suppliers.
- C. It is essential to **publicly disclose** the names of all EU importers of gold (as well as importers of tin, tantalum, tungsten, and their ores).
- D. Due diligence should always be carried out, regardless of the country of origin and the imported volume.
- E. Regulators and competent authorities should engage and consult with governments and civil society groups to better assess the risks involved

<sup>9</sup>. In March 2023, the Brazilian IRS ordered the use of electronic invoices for wildcat gold transactions, enhancing the authorities' ability to better oversee them. Additionally, in April 2023, the Brazilian Federal Supreme Court ruled that wildcat gold transactions could no longer rely on the parties' good faith, thereby improving accountability. Also, the National Congress is reviewing Bills to deploy gold traceability mechanisms in Brazil.

**Table 1. Brazil's Gold Exports (2023)**

Destination	Exports in USD	Exports in kilogram
Canada	1,605,255,956	30,707
Switzerland	696,082,770	14,132
United Kingdom	442,356,604	7,240
India	260,902,190	4,775
United Arab Emirates	206,875,099	3,916
United States	150,986,273	5,036
Germany	78,190,583	1,289
Türkiye	24,271,447	456
Italy	21,222,889	356
China	77,954	1
Israel	35,753	1
Czech Republic	1,920	0
Portugal	483	20
Peru	299	0
<b>Total</b>	<b>3,486,260,220</b>	<b>67,929</b>

Source: elaborated by the author based on data from Comex Stat<sup>10</sup>.

**Table 2. Brazil's Gold Exports to the European Union Countries by subnational level origin (2023)**

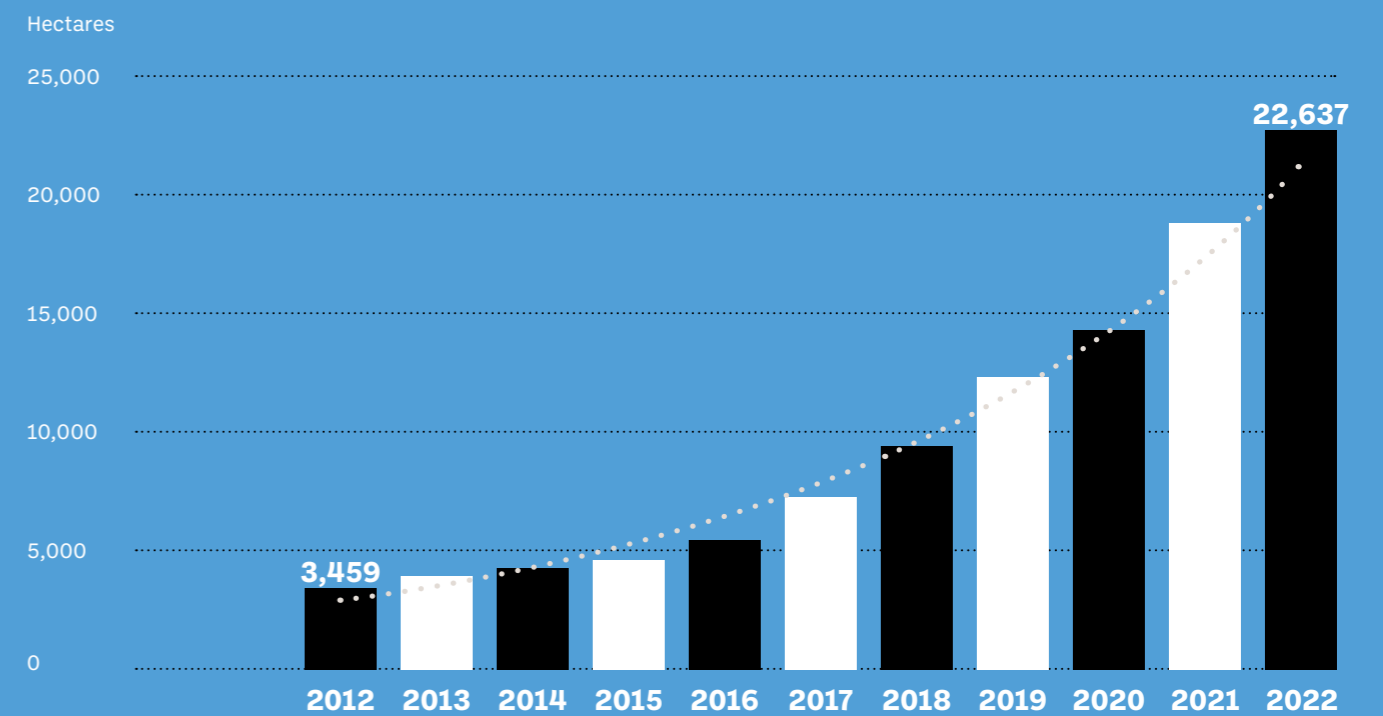
Destination / Origin	Exports in USD	Exports in kilogram
<b>Germany</b>	<b>78,190,583</b>	<b>1,289</b>
Amazonas	78,190,583	1,289
<b>Exposed to a high-risk</b>	<b>78,190,583</b>	<b>1,289</b>
<b>Italy</b>	<b>21,222,889</b>	<b>356</b>
São Paulo	9,444,850	160
Pará	5,698,174	94
Amapá	4,966,307	82
Goiás	1,113,558	20
<b>Exposed to a high-risk</b>	<b>15,143,024</b>	<b>254</b>
<b>Czech Republic</b>	<b>1,920</b>	<b>0</b>
São Paulo	1,920	0
<b>Exposed to a high-risk</b>	<b>1,920</b>	<b>0</b>
<b>Portugal</b>	<b>483</b>	<b>20</b>
Goiás	483	20
<b>Exposed to a high-risk</b>	<b>0</b>	<b>67,0</b>
<b>Total</b>	<b>99,415,875</b>	<b>1,665</b>
<b>Exposed to a high-risk</b>	<b>93,335,527</b>	<b>1,543</b>

Source: analysis by the author based on data from Comex Stat<sup>11</sup>. Note: Imports from Pará, Mato Grosso, and Amazonas states are considered high-risk because their gold production is solely or predominantly based on wildcat mining, according to the Brazilian National Mining Agency records. São Paulo is also high-risk because it produces no gold, acting only as a hub for wildcat gold exports.

10. World Gold Council. Available at: <<https://www.gold.org>>. Last visited on June 24, 2024.

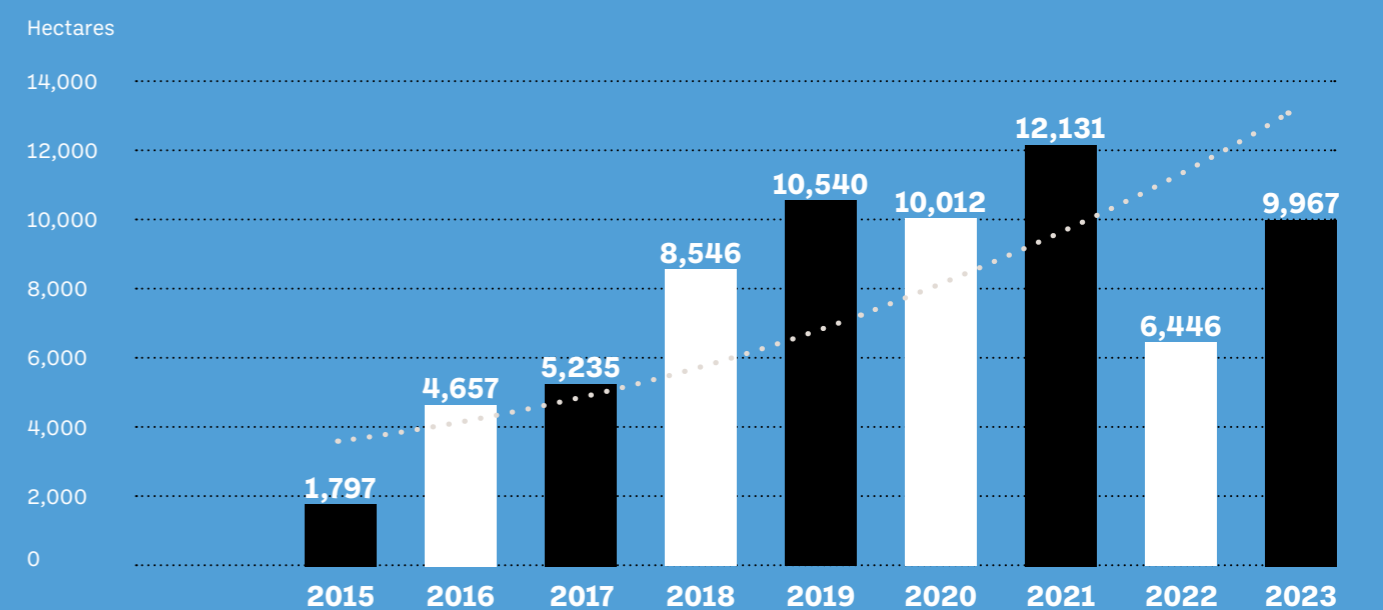
11. Instituto Escolhas (2022). Gold with evidence of illegality breaks record and exceeds 50 tons. Available at: <[https://escolhas.org/wp-content/uploads/2022/12/Onepage\\_Raio-X-Ouro\\_ING.pdf](https://escolhas.org/wp-content/uploads/2022/12/Onepage_Raio-X-Ouro_ING.pdf)>.

**Graph 1 Wildcat gold mining inside Indigenous Territories in Brazil (hectares)**



Source: elaborated by the author based on data from the Mapbiomas Project<sup>12</sup>.

**Graph 2 Deforestation in the Amazon caused by mining (hectares)**



Source: elaborated by the author based on data from INPE<sup>13</sup>.

12. MapBiomas Project data, Mining (Collection 8). Available at: <<https://brasil.mapbiomas.org/estatisticas>>. Last visited June 24, 2024.

13. INPE data (Instituto Nacional de Pesquisas Espaciais), Terra Brasilis Platform, DETER (aviso). Available at: <<https://terrabrasilis.dpi.inpe.br>>. Last visited June 24, 2024.

Realization



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