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02/11/2020



Vale updates on dam decharacterization plan

One of the key milestones to reduce the risk level at the company is the decharacterization of the upstream structures, a process that will continue over the next years. The first decharacterized dam, 8B, was completed in December 2019; the second one, Fernandinho dam, will be concluded in 2020.

Vale has also completed the construction of the containment structure for Sul Superior Dam in the city of Barão de Cocais, while the containment structures for B3/B4 and Forquilhas dams will be concluded in 1H20, increasing the safety conditions in the areas downstream from the dams and allowing the decharacterization work at these sites to start thereafter.

The progress of the decharacterization works has provided more precise inputs to the engineering requirements, and, based on these new specifications, the provision for the decharacterization of the nine upstream dams, whose construction is similar to the Dam I construction method, will be decreased by US\$ 447 million.

Some of Vale's dams have smaller internal dikes that were built using the upstream construction method and that will also be decharacterized. Updated information regarding the structures allowed for a more complete engineering plan and accordingly Vale is provisioning additional US\$ 315 million to the amount recognized in 2Q19.

Following the Dam I rupture, Vale has initiated an in-depth technical analysis of the history and current condition of all its dams. These studies, called "As-Is", are expected to be concluded by June 2020 and pay special attention to those structures whose original projects do not retain the necessary completeness and precision of data as required by Ordinance nº 70.389/17 DNPM, mostly older structures incorporated by Vale in former acquisitions.

The results of the "As-Is" analysis and technical studies conducted by Vale, such as the September/2019 Regular Safety Inspection, led the Brazilian National Mining Agency (ANM) to reclassify the raising method of Doutor and Campo Grande dams from center line to the upstream construction method, and Vale to include them in the decharacterization plan. Vale reinforces that the information was duly filed with ANM in September 2019 and publicly disclosed through Vale's website.

As the publication of Resolution ANM 13/19, dated August 2019, has created the same legal obligations as upstream dams for drained stack structures, three of the latter were also included in the list for decharacterization.

Consequently, Vale will provision US\$ 716 million for the decharacterization plan of Doutor and Campo Grande dams and the three drained stacks structures, for which no amount was recognized previously.

Considering the above-mentioned amounts and the addition of US\$ 87 million of other provision adjustments, related to structures located nearby Córrego do Feijão, the net effect on the dam decharacterization provision is of US\$ 671 million, and its disclosure is expected in the 4Q19 earnings report, which will be released on February 20, 2020.

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