



"Жасыл сақтық" экологиялық қоғамы
Экологическое общество "Зеленое спасение"
Ecological Society "Green Salvation"

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To:
Alistair Clark
Director of the Environment Department

Сс:
Elizabeth Smith
Senior Environmental Advisor

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Alke Schmidt
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Manager of Outreach and NGO Relations

Subject: Concerns about the EBRD Mittal Steel Temirtau Health & Safety Project

April 11, 2007

Dear Mr. Clark,

As civil society organizations concerned about the development of Kazakhstan, we would like to offer our views on the proposed loan for the Mittal Steel Temirtau Health & Safety Project (ID: 37546) which is pending EBRD Board approval on May 1, 2007.

In 1997 the EBRD and International Finance Corporation granted a syndicated loan for Ispat Karmet Steel Works (Mittal Steel Temirtau [MST]; ID: 3324) to restore the company's productive capacity and improve the efficiency of its steel mills and coal mines. The loan also aimed to mitigate the environmental and health and safety impacts of the facilities and align the company's performance with World Bank standards. The project is considered complete and successfully implemented by the EBRD.

However, MST performance failed to effect positive developmental impacts and follow the good corporate practices as outlined in the OECD Guidelines for Multinational Enterprises.

Mittal Steel's acquisition of the Temirtau steel and power plants and coal mines results from a tax-alleviation scheme and generous state incentives. According to the contract signed with the Kazakh government, the investor does not need to observe any new environmental laws for a ten-year period following the date of privatization of the facility and is exempt from paying taxes and pollution fees.

Such an agreement however has had a devastating effect on the environment: MST is one of the largest polluters in Kazakhstan, emitting 95 percent of the Temirtau's total harmful air pollutants. With increased steel production, the total amount of pollution originating from MST activities has also increased.

Several other industrial facilities operate in the town and its vicinity; yet the cumulative effects of their production have not been adequately assessed and monitored, posing an excessive and uncontrolled burden on the environment and citizens of Termitau.

Mittal Steel is firm in its “strong safety culture”¹; yet, repeated accidents in MST coal mines create doubt about Mittal’s successful implementation of Environmental Action Plans (EAP). A methane explosion at the Lenin mine killed 41 miners in September 2006; an explosion at another MST-owned mine killed 23 people in December 2004.

In 2004 cases of industrial injuries leading to fatalities at MST quintupled; the rate of industrial accidents tripled.² In 2006 there were 217 cases of industrial accidents including 48 fatal cases and 17 leading to heavy injuries.³

While MST agreed to raise environmental awareness in the region about the project, the public has had very limited access to the project’s environmental information and opportunities to participate in the project after the completion of its due diligence. No project-related information was made available for public reference at the MST Environmental Department during the project operation phase. MST neither releases emission reports regularly nor upon request, and both the Karaganda Regional Statistical Department and Karaganda Regional Department on Environmental Protection refuse to release those reports as per its confidentiality. Without proper project documentation, trade unions and local civil society organizations could not engage effectively in project monitoring.

Such practices are not only against the MST corporate social responsibility policy⁴ but also the OECD Guidelines for Multinational Enterprises, particularly Article 4 on Employment and Industrial Relations and Article 5 on Environment⁵.

As part of the privatization agreement, Mittal Steel committed to invest in social and environmental projects. The company has not released an overview of community development projects so there is no way to evaluate the quality of this investment.

So far, MST’s violation of national environmental and work and safety legislation⁶ has tarnished its public image more than its educational and social programs have supported it.

In light of the serious environmental and social implications of MST operations for the citizens of Temirtau and Karaganda, we believe that the EBRD should require public consultations for the new MST project. This could be done by recategorizing the project as an “A” level project and proceeding accordingly during project due diligence.

The affected citizens of Termitau, Karaganda and vicinity should be provided not only with information on the new project but also with full, objective data on the previous project’s implementation.

The EBRD should also clarify the necessity of the new MST project given the development of a mines’ Health and Safety Action Plan by international experts.

To enable well-informed participation during the consultations, the EBRD should disclose the project’s recent environmental audit by Golder Associates - Europe.

We recommend the EBRD draws on lessons from the previous project and submits the proposed EAP for public comment.

¹ <http://www.mittalsteel.com/Communities/Health+and+Safety.htm>

² The national Kazakh Information Agency “KAZINFORM”: <http://www.inform.kz/>

³ The Kazakhstan Government’s website: <http://193.193.229.194/ru/news.asp?IDspis=6289>

⁴ <http://www.mittalsteel.com/Communities/CSR/>

⁵ <http://www.oecd.org/dataoecd/56/36/1922428.pdf>

⁶ Specifically, the law on Environmental Protection and the law on Safety and Protection of Labour of the Republic of Kazakhstan

Finally, the EBRD should use public consultations to discuss project monitoring schemes with the direct involvement of interested stakeholders such as the MST coal mine and metallurgical trade unions.

We are convinced that such measures will not only improve MST corporate practices but also demonstrate the EBRD's commitment to sustainable development in Kazakhstan.

Thank you for your positive consideration and response.

Best regards,



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Ecological Society "Green Salvation"



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