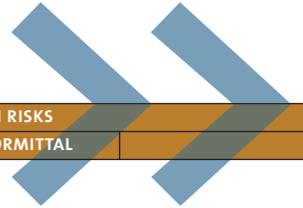


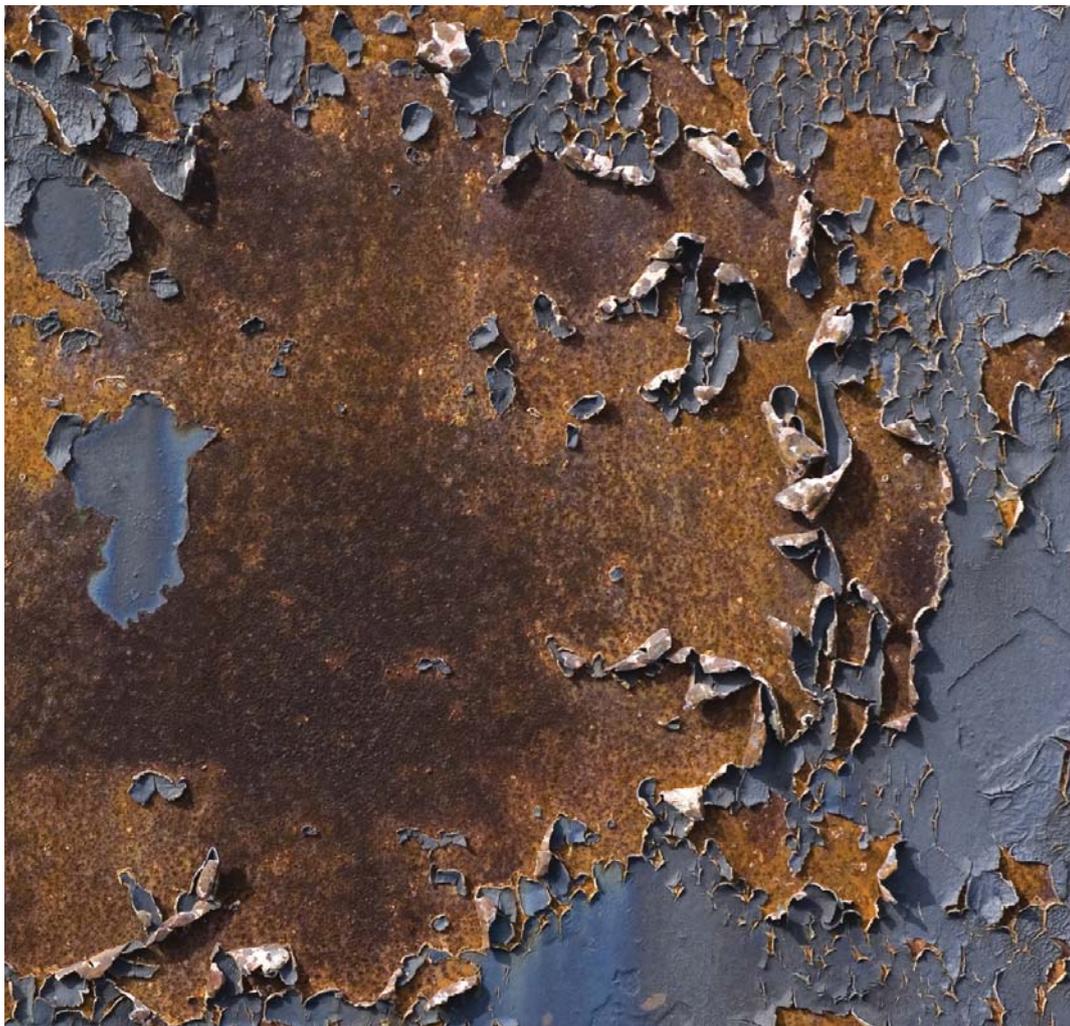
ArcelorMittal: Going nowhere slowly

A review of the global steel giant's environmental
and social impacts in 2008-2009



STEEL PRODUCTION	EMISSIONS	HEALTH RISKS	
AIR POLLUTION	GLOBAL	ARCELORMITTAL	

extractive industries:
blessing or **curse?**



ArcelorMittal: Going nowhere slowly

A review of the global steel giant's environmental and social impacts in 2008-2009

Overview	3
“Go Back Mittal”: peoples’ protest against ArcelorMittal’s steel projects in India	7
ArcelorMittal in South Africa – going nowhere slowly	9
ArcelorMittal Ostrava – increasing pressure from local communities	11
The Stakeholder Engagement mirage in Kazakhstan	15
How to lose friends and alienate people: ArcelorMittal in Bosnia-Herzegovina	17
ArcelorMittal in Liberia – problems to iron out	21
ArcelorMittal strategic investor in outdated nuclear power plant in Romania	27
Conclusions and recommendations	29

This report is dedicated to communities' struggles around ArcelorMittal facilities.

Contributors: Bobby Peek, groundWork, Friends of the Earth, South Africa; Dana Sadykova, Karaganda Ecological Museum, Kazakhstan; Darek Urbaniak, Friends of the Earth Europe; Jan Haverkamp, Greenpeace; Jan Šrytr, GARDE programme of the Environmental Law Service, Czech Republic; Pippa Gallop, CEE Bankwatch Network; Sunita Dubey, groundWork, USA

Acknowledgements: Adivaasi, Moolvaasi, Astitva Raksha Manch, Jharkhand, India; Eko-forum Zenica, Bosnia and Herzegovina; Darek Urbaniak, Friends of the Earth Europe; Bojan Nisevic, Eko Pokret Omarska, Bosnia and Herzegovina; Paul de Clerck, Friends of the Earth International; Tarik Mujacic, Bosnia and Herzegovina; Silas Siakor, Sustainable Development Institute, Liberia; Steel Valley Crisis Committee, South Africa; Vaal Environmental Justice Alliance, South Africa;

Report coordination: Pippa Gallop and Klara Sikorova, CEE Bankwatch Network; Sunita Dubey, groundWork, USA

Editor: Greig Aitken, CEE Bankwatch Network

Photographs: Adivaasi, Moolvaasi, Astitva Raksha Manch, Jharkhand, India; Adnan Dzonlic, Bosnia and Herzegovina; CEE Bankwatch Network; Dado Ruvic, Bosnia and Herzegovina; Dreamstime, www.dreamstime.com; Miso Danicic, Eko pokret Gomionica, Bosnia and Herzegovina; groundWork, Friends of the Earth, South Africa; Valerij Kaliev, Kazakhstan; Miroslav Vyck, Czech Republic

Design and layout: Tomas Barcik, design studio, Czech Republic, www.design-studio.cz

Publication template design: Onehemisphere, www.onehemisphere.se

Printing: Rodomax, s.r.o., Czech Republic, www.rodomax.cz



This Report has been produced with the financial assistance of the European Union. The content of this Report is the sole responsibility of Friends of the Earth Europe, CEE Bankwatch Network and Global Action on ArcelorMittal and can under no circumstances be regarded as reflecting the position of the European Union. The authors gratefully acknowledge financial support from the Dutch Ministry for Development.



EMISSIONS OVERVIEW	HEALTH RISKS	
	ARCELORMITTAL	GLOBAL

Overview

1



People opposing ArcelorMittal's greenfield project in Jharkhand, India at a protest in spring 2008.

Photo by Adivaasi, Moolvaasi, Astitva Raksha Manch

In May 2008, environmental and community groups from countries ranging from South Africa to Kazakhstan, having in several cases tried in vain for years to press individually for improvements in ArcelorMittal's steelmills and mines, decided to bring their complaints to ArcelorMittal's annual general meeting in Luxembourg. They aimed to present their complaints to the company, primarily about its environmental and health and safety impacts and its failure to improve the situation.

During the last 15 years, ArcelorMittal's predecessor companies, mainly Mittal Steel, have bought up several old and highly polluting steelmills and made them profitable, however environmental improvements other than those necessary to increase production efficiency have been painfully slow. In several countries the company has received low-interest public loans from the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC) for environmental improvements but the results have been largely invisible to local people. As well as pollution, several groups have raised issues such as the repeated fatal mining accidents in Kazakhstan, which have been partly blamed on poor health and safety practices, and plans to build mega-steel mills in India, displacing tribal people from their land in a country where such processes have rarely if ever led to an improvement in the situation of those affected.

The groups, which make up the Global Action on ArcelorMittal coalition, also launched a report entitled "In the wake of ArcelorMittal"¹, giving an overview of the problems suffered by the neighbours and workers at several of ArcelorMittal's plants. The management of the company showed itself open for dialogue and an initial meeting was held on 13 May 2008.

This publication aims to give an overview of what has happened since then and how we see the company's efforts to improve its environmental, health and safety performance.

Good intentions

There has been a clear recognition among ArcelorMittal's management that many of its plants require significant improvements in their environmental and health and safety performance. The merger of Arcelor and Mittal Steel has provided a stimulus to ensure that environmental and health and safety standards are applied equally at all plants and that a culture of transparency is developed throughout ArcelorMittal. In 2007 and 2008 ArcelorMittal developed a corporate responsibility management structure in order to implement this.

¹ <http://www.globalaction-arcelormittal.org/>

Meanwhile in Kazakhstan, under the auspices of a USD 100 million project for mine safety improvement financed by the EBRD, the company developed its first Stakeholder Engagement Plan. It showed how the company would communicate with various groups such as local community groups, investors, NGOs, customers etc. Given the problems that many of the groups in the Global Action on ArcelorMittal coalition have had with obtaining basic environmental data and communicating with the local management of the company, this development was watched with great interest.

In July 2008, ArcelorMittal published its first corporate responsibility report. The report reasonably takes health and safety as the company's highest priority, no doubt partly as a result of the accident that killed five miners in the company's Tentekskaya mine in Kazakhstan on June 2, 2008, following less than six months after another accident that killed 30 miners in the nearby Abaiskaya mine. The report stated that, in 2007, USD 216.4 million had been spent on safety measures excluding training and dedicated investment programmes such as the one in Kazakhstan, where USD 262.8 million was to be spent on improvements in 2008. No further details were given.

Wobbling at the first hurdle

Local groups in Global Action on ArcelorMittal have been unable to detect improvements in ArcelorMittal's environmental and health and safety performance during recent years, but ArcelorMittal claims to have made significant investments in these areas and plans many more. The disclosure of information about these investments and plans and the results they have brought in terms of reducing pollution and accidents is therefore one crucial way in which local people can judge for themselves whether the company is serious about making real improvements.

In June 2008 a response from the company on Global Action on ArcelorMittal's "In the wake of ArcelorMittal" report stated: "...we believe that there are several instances where you may not have received all the relevant information to make a fully informed judgment about our operations".² Indeed.

Members of Global Action on ArcelorMittal requested the company management at its headquarters in Luxembourg to ensure the disclosure of certain documents such as Environmental Action Plans, Health and Safety investment plans and the South African branch's Environmental Master Plan. ArcelorMittal's management said it would encourage its local companies to disclose information. One year later, an Environmental Action Plan has been published only in Bosnia-Herzegovina, with an update report on

environmental investments disclosed in Ukraine but not the plan itself. In South Africa the Environmental Master Plan has still not been released.

Even more alarmingly, ArcelorMittal has failed to implement its flagship Stakeholder Engagement Plan in Kazakhstan. None of the promised documents have been released and some of the requests for information sent by Karaganda Eco-Museum on health and safety in the mines and on an agreement with the Kazakh government related to the financial crisis have not been answered. This illustrates how much work the company still has to do even in the relatively simple matter of releasing existing information.

Lacking evidence of real progress

In most of the cases that Global Action on ArcelorMittal is monitoring, there are no visible improvements regarding pollution.

If investments have been made, apart from scant snippets on the company's website we can only guess what has been done, and what has been the real overall effect on local environments. For example, if pollution is reduced per tonne of steel, this is useful only in so far as the company does not expand steel production. What matters to people's health is the total amount and type of pollution. An example of this is ArcelorMittal Ostrava's replacement of its old galvanizing unit with a new one that has a three times higher production capacity. The emissions decrease resulting from the use of newer technology will be completely cancelled out by the capacity increase.

ArcelorMittal staff often state that improvements take time. Indeed no-one expected overnight miracles. Yet ArcelorMittal's predecessor companies have owned the steelmills for several years, so there should be some improvements by now. In the meantime the company needs to explain clearly what is to be done and when.

In Zenica, Bosnia-Herzegovina, the company has taken three and a half years to even get its Environmental Action Plan approved, let alone implement it. After re-starting integrated steel production ArcelorMittal took several months to even start measuring the air pollution. In Kazakhstan there is no information on what health and safety and environmental investments have been made and the effect that they have had – only some information in a memorandum of understanding with the government about some investments that should be made.

² "ArcelorMittal promises to further elaborate", 19 June, 2008, www.globalaction-arcelormittal.org



The company's Luxembourg management has indicated that ArcelorMittal has not yet developed a consistent culture of responsibility and transparency throughout its operations, but that it would not be possible to go over the heads of local management in releasing information. Given that ArcelorMittal presumably has a number of relatively enforceable company-wide policies on other issues, it seems strange that local managements cannot be more effectively persuaded to take their transparency obligations seriously.

The economic crisis kicks in

In the absence of any progress with fitting modern filters at the Cleveland, Ohio plant, relief for residents' lungs came only when ArcelorMittal announced a two-month idle of its blast furnaces in October 2008. At the end of February 2009, the company announced it would continue to idle and would shift 100 of the plant's 300 salaried positions to its plants in Indiana and West Virginia. On March 6, 2009, Mittal announced it would halt operations at the mill and finishing plant, laying off 990 steelworkers. Ohio Citizen Action addressed the company with an appeal to use the idle time wisely:

*"Now is the time for Mittal Steel to work on a plan for pollution prevention at the Cleveland plant, in order to make an investment at the facility before it is brought back to full production. While your company works on plans for efficiency during the current economic downturn, pollution prevention is a key element to achieving efficiency at any facility. You can make money and benefit your workers through pollution prevention, and show that you are a true leader in the steel industry."*³

So far there has been no response from the company.

Meanwhile in Kazakhstan and Ukraine the company used the crisis to win concessions from governments desperate to keep thousands of steelworkers in their jobs. The governments of both Kazakhstan and Ukraine signed memoranda of understanding with ArcelorMittal.

The government of Ukraine signed a memorandum of understanding with ArcelorMittal granting postponement of some modernisation investment obligations that had been stipulated during the privatisation of the company, as well as providing tax breaks and state subsidies such as lower prices for electricity, and gas, and railway rates, freezing the fees charged for the use of extractive resources and facilitating preferable purchase of "Ukrainian" steel on the internal market.

In Kazakhstan the company was granted reduction of social tax, reduction of railway rates and the use of part of a railway and a station, a 2009-2011 emissions permit,

postponement of environmental penalties, assistance with state purchases, assistance with land allocation and the use of water sources. The Kazakh authorities' agreement marked a dramatic turnaround from earlier in the year when they were threatening to revoke the company's operation licence due to poor health and safety conditions in its mines.

The National Ecological Center of Ukraine, together with Global Action on ArcelorMittal, emphasised to the Ukrainian government that: *"We ... consider it to be socially unfair for taxpayers and other businesses to bear the additional burden of subsidising energy and transport costs for ArcelorMittal..."*⁴

The company has since tried similar tactics in Ostrava, Czech Republic, asking for financial support and postponement of some of its environmental investments.

Unfair money-making practices of a different kind also came to light in 2008 when it was reported in December that three ArcelorMittal subsidiaries in France, along with eight other companies, had been fined a record EUR 575 million for creating a cartel on certain steel products between 1999 and 2004.

According to Le Conseil de la Concurrence (the Competition Council), the companies had set prices, divided up contracts between them, blocked exterior rivals and punished those who deviated from the agreements. PUM Service Acier, a division of ArcelorMittal, was ordered by Le Conseil de la Concurrence to pay EUR 288 million, after it was found to be one of the three cartel leaders, and in total the three ArcelorMittal subsidiaries involved were fined a total of EUR 302 million.

Although Le Conseil de la Concurrence found no evidence that the parent companies were aware of the cartel, we believe that this case should be of concern for the whole company as it represents a significant and sophisticated breach of EU competition law.

In South Africa, as elsewhere, the company is not operating at 100 percent production due to the financial crisis. Over the last two years there has also been an ongoing challenge with the South African Competition Tribunal for excessive pricing. ArcelorMittal has appealed the USD 65 million fine imposed upon it, which represented about 12 percent of ArcelorMittal South Africa's 57.2 billion-rand profit in 2007⁵.

3 Letter from Ohio Citizen Action to Lakshmi Mittal, 5 December 2008, <http://www.ohiocitizen.org/campaigns/isg/suspend.html>

4 Letter from National Ecological Center of Ukraine/Global Action on ArcelorMittal to Ukrainian President Victor Yushchenko, 2 December 2008, www.globalaction-arcelormittal.org

5 For more information see <http://www.bloomberg.com/apps/news?pid=20601116&sid=artHCE3E1ZD8&refer=africa>

Beyond the steelmills

The issues do not stop at pollution and health and safety at the existing steelmills and coalmines. In India, ArcelorMittal's plans to build two mega steelmills in Jharkand and Orissa have resulted in fierce resistance from local people for whom resettlement can offer no alternative to the homeland with which their whole lives are inextricably intertwined. ArcelorMittal staff were forced to withdraw from one site visit altogether in June 2008 due to protests. See section on India for more details.

In Omarska, in the Republika Srpska Entity of Bosnia-Herzegovina, local people are still suffering from dust and water pollution caused by ArcelorMittal's existing iron ore mines, yet the company has started works on opening a new one, even before obtaining an environmental permit. See section on Bosnia-Herzegovina for more details.

ArcelorMittal has also signed a concession agreement for iron ore mining activities in Liberia, due to commence in 2010. Although the agreement with the Liberian government has already been altered once to change some of the most unjust clauses, a number of problems with the project remain, including expropriation and resettlement, lack of transparency in the management agreement with the government, lack of secure employment, and its impact on the Mount Nimba Nature Reserve. See section on Liberia for more details.

Steelmaking is highly energy and carbon-intensive. In 2007 ArcelorMittal's steelmaking operations emitted approximately 239 million tonnes of CO₂⁶ – more than Romania and Bulgaria's CO₂ emissions combined.⁷ The steel industry – and ArcelorMittal in particular, as its largest company – therefore has a particular responsibility to reduce its emissions. ArcelorMittal admits that although many sites in Europe and the Americas are very close to their technical limits for CO₂ reduction, many of its other sites are far from this level of performance.⁸ It is in ArcelorMittal's interest to ensure that its operations are as energy efficient as possible, and that it has a secure supply of energy for the coming years. The company has 'Reduce carbon intensity and energy consumption of steel production' as one of its four environmental Corporate Responsibility Objectives.⁹

Efforts to increase energy efficiency are more than welcome, however some of the other energy investments ArcelorMittal proposes should be questioned. For example, Greenpeace has drawn attention to problems with the company's foray into the world of nuclear reactors in the Cernavoda 3 and 4 project in Romania. The reactors are planned to use outdated CANDU-6 technology, which emits tritium into the local environment as well as posing security risks. On the economic side the project is reliant on receiving state aid. See section on Cernavoda, Romania for more details.

The steel industry's carbon emissions need to be reduced, but through energy efficiency, an increase in the proportion of recycled steel, and increased use of truly renewable and sustainable energy, not through risky outdated nuclear technology.

In South Africa, ArcelorMittal is resisting stronger regulatory control by the South Africa Department of Environmental Affairs and Tourism, which will from September 2009 govern the plant under the Air Quality Act of 2004. ArcelorMittal is currently representing the steel industry in negotiations with the environmental department.

Looking to the future

ArcelorMittal has declared its intentions to reduce pollution, increase energy efficiency and be more transparent towards its stakeholders. If it is to improve its relations with its neighbours and other stakeholders it needs to show that it is serious – that it is willing to put in the time and effort to systematically disclose information on environmental and health and safety investments and their impacts on emissions, and that the investments are made as soon as humanly possible. People need to see results.

Still more challenging are the cases where the solution is more elusive than a list of investments and the implementation of company policies, for example:

- How can ArcelorMittal's interests be reconciled with those of tribal people opposing its green-field mega-steel mill plans in India?
- How can the company deal with the risks of the Cernavoda 3 and 4 nuclear project?

The company's interpretation of responsibility in these cases has yet to be encountered.

6 ArcelorMittal: Corporate Responsibility Report 2007, July 2008, <http://www.arcelormittal.com/index.php?lang=en&page=720>

7 European Environment Agency: Greenhouse gas trends and projections in Europe 2008, EEA Report no. 5/2008, p.102

8 ArcelorMittal: Corporate Responsibility Report 2007, July 2008, p.39 <http://www.arcelormittal.com/index.php?lang=en&page=720>

9 ArcelorMittal: Corporate Responsibility Report 2007, July 2008, p.16 <http://www.arcelormittal.com/index.php?lang=en&page=720>

“Go Back Mittal”: peoples’ protest against ArcelorMittal’s steel projects in India

2



People opposing ArcelorMittal’s greenfield project in Jharkhand, India at a protest in spring 2008.

Photo by Adivaasi, Moolvaasi, Astitva Raksha Manch

The ambitious plan of ArcelorMittal to invest more than USD 20 billion in two states of India has drawn lot of protest from local tribal¹ communities facing eviction from their traditional lands. The two states, Jharkhand and Orissa, where ArcelorMittal is planning its multibillion dollar projects, are known for their tribal communities and resource rich lands. The minerals under the indigenous lands have been a curse for communities living a traditional life in these states.

ArcelorMittal has selected an area in the Khuti district of Jharkhand for its plant. The project needs around 11,000 acres of land, of which 8,800 acres is required to set up a 12 million tonne steel plant and 2,400 acres for establishing a township. The steel major has also been allocated iron ore mines and coal blocks.² Jharkhand means ‘forest country’ and 27.8 percent of the total population is indigenous, with 30 tribes and sub tribes in the state³.

Since its inception, this project has been the subject of local protests, as the huge tracts of land being acquired are the only source of livelihood for many families. A campaign was launched by an organisation opposing the land acquisition called Adivaasi, Moolvaasi, Astitva Raksha Manch (AMARM) in 2008. The campaign started with the distribution of approximately 15,000 pamphlets, which enumerated the details of the project and its future impacts on local people. According to the leader of the campaign, Ms Dayamani Barla, *“Farmers need food grains not steel”*. She also said that *“Pamphlets are being distributed to make people aware of the move of the state government and the state government should immediately stop land acquisition.”*⁴

The people who have been protesting against the ArcelorMittal project in Jharkhand are resolute about not giving up their farmland and are not afraid to give up their lives to protect it. They have also threatened to intensify their agitation in case Mittal makes any forceful effort to acquire land.⁵ Their firm resistance has been met with death threats towards Ms Dayamani Barla, who is a well-known activist as well as a journalist and has been working on various issues concerning tribal communities in India⁶.

The situation at other project site in the state of Orissa is not very different in terms of local opposition. Hundreds of tribals on May 26th 2008 staged a demonstration to protest the

1 This is a term used officially for the indigenous communities in India: they are defined as communities with ‘primitive’ traits, distinctive culture, geographical isolation, shyness of contact with the community at large, and economic ‘backwardness’. (Ministry of Tribal Affairs, India: <http://tribal.nic.in/index1.html>)

2 http://www.thaindian.com/newsportal/business/arcelor-mittal-steel-project-faces-land-acquisition-row-in-jharkhand_100108681.html

3 <http://jharkhand.nic.in/>

4 http://www.telegraphindia.com/1080530/jsp/jharkhand/story_9340098.jsp

5 <http://ibnlive.in.com/news/armed-tribals-protest-arcelor-mittal-plant-in-jharkhand/76279-7.html>

6 http://www.tehelka.com/story_main40.asp?filename=Ws090808tricks_trade.asp

proposed steel plant in the Keonjhar district of Orissa. The protestors shouted slogans like “Go back Mittal”, and “We will not give an inch of land for the plant”, in front of a hall at the district headquarters during a meeting organised by ArcelorMittal.⁷

Orissa is predominantly an agricultural state where nearly seventy per cent of the working population depends on agriculture. The state has nearly forty per cent of its population belonging to indigenous groups. According to the protestors they would lose more than 800 acres of agricultural land on which they are dependent. They argue that the plant should be set up on barren lands. Mr Muralidhar Sardar, president of the protest group Mittal Pratirodh Manch, said: *“We want better irrigation for our agricultural land, for our better livelihood. We do not want the Mittal steel plant, which would take away our land and thus our livelihood. We are ready to die but would not allow the plant on our land.”*⁸

Due to this growing public backlash, ArcelorMittal has started workshops for the first time in the Keonjhar district to convince the people about the benefits of the steel project. This is a tough task as the project would displace nearly 15,000 people in 17 villages in Patna Tehsil, a sub-district of Keonjhar. The approval allows the acquisition of 1,224 acres of land in the first phase. The second phase clearance is for another 1,624 acres, though the actual process is still to begin. ArcelorMittal has already deposited Rs4.03 crore⁹ with the industrial development corporation as a processing fee for phase I land acquisition. The government is waiting for a detailed project report (DPR), which, sources in Mittal said, would be completed by June 2008.¹⁰

Even though ArcelorMittal claims to have “developed an ambitious R&R¹¹ policy for Jharkhand and Orissa”, the details of this have not been made available to even the project affected people. The company has been simultaneously saying that in principle it will not “displace people unless housing for resettlement will be provided”. However, none of the settlements or housing has yet been constructed. On the

contrary the company is trying to evade the key issue by organising hockey matches etc. as it continues to keep the details of the proposed project in the dark, claim villagers.¹²

On one hand, the company boasts of its stakeholder partnerships, corporate social responsibility and transparency, while ignoring the demands of the local communities to know the reasons for losing their land and livelihoods. The state government, in an attempt to attract businesses, is also aiding companies like ArcelorMittal by allowing reports with unrepresentative data based on just one season and unfair representation of the local communities at the public hearings.

Local activists are feeling intimidated about raising their concerns against the land acquisition, and Ms. Dayamani Barla, the tribal leader spearheading the anti-Mittal protests in Jharkhand claims to have received two death threats by phone in 2008, intimidating her with dire consequences if she did not withdraw from organising local people. She lodged a First Information Report (FIR) against the first threat in the Ranchi police station but no action was taken by the local administration, and after lodging the FIR she received a second threat.¹³ Local activists also wrote a letter dated July 7, 2008 to the ArcelorMittal headquarters in Luxembourg raising concerns about these threats and asking them to investigate.

The protest reflects a larger stand-off between industry and farmers unwilling to surrender land in a country where two-thirds of the population depends on agriculture for a living. The poor record of rehabilitation and resettlement in the past and suffering of people due to pollution has left many communities wary of these projects. The promise of jobs and infrastructure does not deter them from opposing these projects, as they have witnessed the plight of many communities who gave away their land in the hope of better lives but were left with neither resources, land, nor livelihood.



Photo by Adivaasi, Moolvaasi, Astitva Raksha Manch



Photo by Adivaasi, Moolvaasi, Astitva Raksha Manch

⁷ http://www.thaindian.com/newsportal/uncategorized/orissa-tribals-protest-rs400-bn-arcelor-mittal-project_10053077.html

⁸ <http://www.hindu.com/2008/05/27/stories/2008052756880100.htm>

⁹ 40 300 000 rupees or around EUR 600 000

¹⁰ <http://www.dnaindia.com/report.asp?NewsID=1139997>

¹¹ rehabilitation and resettlement

¹² <http://www.dnaindia.com/report.asp?NewsID=1139997>

¹³ http://www.tehelka.com/story_main40.asp?filename=Ws090808tricks_trade.asp



EMISSIONS	HEALTH RISKS
SOUTH AFRICA	ARCELORMITTAL GLOBAL

ArcelorMittal in South Africa – going nowhere slowly

3



ArcelorMittal in Vanderbijlpark, South Africa.
Photo by groundWork, Friends of the Earth, South Africa

Corporate public relations has been the big issue for ArcelorMittal in South Africa over the last year as it has sought to convince the community that ‘the leopard has changed its spots’. This has happened while its position about releasing information has become more entrenched with the company agreeing to a process about talking about information rather than releasing information. At the same time ArcelorMittal has been one of the main industrial forces in the country vetoing stronger regulations on air pollution.

Meetings...

ArcelorMittal’s response to the challenges put in front of it in 2008 was to call for meetings with community representatives. This is a common corporate strategy to be able to diffuse and to manage community resistance. Since the meeting in Luxemburg in May 2008 with senior management, ArcelorMittal has gone on the ‘meeting offensive’ in South Africa and two more meetings have been held between community people and senior executives of ArcelorMittal.

On 15th July 2008, community representatives from various organisations including the Vaal Environmental Justice Alliance (VEJA) and groundWork met with an entourage of senior management at the ArcelorMittal head office. The result ArcelorMittal attempted to engineer was a series of meetings to talk about how to release the Environmental Master Plan rather than when it would release it.

Corporate Social Responsibility – Corporate Spin?

On 1st September 2008, once again community people were called to a meeting, this time to meet corporate social responsibility president Remi Boyer. Again at this meeting, it was reiterated that the demand from the community is that the Environmental Master Plan is released unconditionally. Again nothing came of this request.

But no doubt in response to Remi Boyer’s visit to South Africa, ArcelorMittal went on with its push to ‘engage’ on issues of corporate social responsibility. Corporate social responsibility has often been used in Africa by corporations to evade the hard questions asked by community people for improved corporate practice. In impoverished communities, and coupled with weak government agencies, corporate social responsibility often detracts from improved governance and criticism by communities of poor industrial practice. It becomes difficult at the local level when corporate social responsibility presents an image of some work being done in a vacuum of governance. Coupled with corporate social investment, corporate social responsibility becomes a dangerous tool for quietening critical voices.

The corporate social responsibility approach was adopted by ArcelorMittal and in the latter part of 2008 it started having meetings with the neighbouring communities without informing the VEJA of this intent. Upon hearing about these meetings, VEJA attended and was astounded and disappointed by the approach of ArcelorMittal. ArcelorMittal also

conveyed in these meetings that it had been talking to VEJA and groundWork about the pollution concerns without explicitly indicating that these discussions have been unsuccessful due to its continued approach of not wanting to release the Environmental Master Plan unconditionally. VEJA objected and these meetings were abandoned.

Evading good governance

ArcelorMittal’s corporate social responsibility push has been coupled with a parallel approach in negotiations with government and NGO representatives on air quality emission standards, where it is seeking to delay the meaningful and timely implementation of emissions standards for the steel industry.

The steel industry, as well as the petrochemical and cement industry, in South Africa has operated with impunity since its establishment as far back as the 1930s. South Africa’s air pollution legislation governing industrial emissions is still regulated by the Air Pollution Prevention Act of 1965 which is based upon British legislation dating back to 1905. In September this year the new Air Quality Act of 2004 will come into force with emission standards for industry, and these emission standards are what ArcelorMittal is seeking to weaken and to further extend its time to comply. While the community and NGOs are saying that standards governing old plants need to be attained in three years, ArcelorMittal is pushing for eight years.

It is thus clear that its corporate social responsibility push is being coupled with continued lobbying for weaker governance and standards.

Still saying no to information...

The government must be commended in its attempts at one level to hold ArcelorMittal accountable for its pollution legacy and the future potential pollution impact. At the beginning of 2009 ArcelorMittal was compelled to develop a multi-stakeholder monitoring committee for its past and future toxic dumps on its premises. This is required by the South African regulations on waste management. To date ArcelorMittal’s toxic dumps have not been licensed by the government.

In good faith the VEJA and groundWork sought to engage in this process, but it was clear from the outset that ArcelorMittal is even attempting to scuttle and undermine a legitimate governance requirement. These monitoring committees, whose terms of reference are in general to monitor the conditions of waste sites, have to have access to all information pertaining to the waste including content and conditions of how the waste was deposited in the past and is

to be deposited in the future. In such a forum, it is clear that the Environmental Master Plan section dealing with ArcelorMittal’s toxic waste has to be central to guiding the monitoring by stakeholders. Again ArcelorMittal has resisted.

Rather than releasing the information at this legitimate government required forum, ArcelorMittal referred the request for information back to the negotiations on the Environmental Master Plan happening outside of this process. The meeting considered this. VEJA and groundWork were astounded then in a subsequent meeting in March 2009 that ArcelorMittal would only discuss summaries of the information contained in the Environmental Master Plan. The main concern of ArcelorMittal has always been legal liability once it releases the information, but secondly and more recently it has questioned the communities’ intellect and ability to understand the contents of the master plan.

Thus the struggle in South Africa finds itself no where closer to resolution than it did 12 months ago. ArcelorMittal continues to use corporate spin, evasion, and bureaucracy of meetings to delay the inevitable: peoples’ democratic right to information.



ArcelorMittal in Vanderbijlpark, South Africa.
Photo by groundWork, Friends of the Earth, South Africa



Neighbours protesting against ArcelorMittal steel mill in South Africa in 2007.
Photo by groundWork, Friends of the Earth, South Africa



Neighbours protesting against ArcelorMittal steel mill in South Africa in 2007.
Photo by groundWork, Friends of the Earth, South Africa

EMISSIONS		HEALTH RISKS	
CZECH REPUBLIC		ARCELORMITTAL	GLOBAL

ArcelorMittal Ostrava – increasing pressure from local communities

4



„How do you see ArcelorMittal?“ paintings exhibition prepared by children living in the area affected by the air pollution from ArcelorMittal Ostrava.

Photo by Miroslav Vyka

Background

ArcelorMittal Ostrava is the largest integrated steel producer in the Czech Republic, producing more than 3 million tonnes of crude steel a year¹. It is situated in North Moravia in the city of Ostrava, which has a population of over 300 000 people and is the third largest city in the Czech Republic. The steelworks was built more than 40 years ago. Although it has been partly modernised, many important installations within the steelworks, eg. coking plants, blast furnaces, the sinter plant, steel plant and power plant, are in many respects far behind the best technologies that are available. The result is an enormous amount of pollutant emissions from the steelmaking process, which makes it one of the major causes of an unlawful level of air pollution in the neighbouring inhabited area.²

Although ArcelorMittal Ostrava has been one of the most profitable companies in the Czech Republic³, no significant improvement of the air quality around the steelworks has been achieved since 2002. Since 2007 local residents, supported by the civic lawyers' association Environmental Law Service, have started to increase public pressure on the company to adopt measures which will lead to abatement of or compensation for the negative impacts of the company's activities on air quality in the region.

Experts reveal the hazardous impact of ArcelorMittal pollution

The major problem directly related to the ArcelorMittal steelworks is the unlawful state of air quality in the neighbouring Ostrava city district of Radvanice a Bartovice. According to the results of air quality testing carried out in the area since 2005, the five thousand inhabitants of this area are continuously exposed to concentrations of airborne dust, arsenic and polycyclic aromatic hydrocarbons in the air exceeding the legal limits by up to 800%.⁴

In autumn 2007 Environmental Law Service asked experts from the highly respected Technical University of Ostrava to quantify ArcelorMittal's "share" of the unlawful air quality in Radvanice a Bartovice. The results of study published in August 2008 revealed that emissions from the ArcelorMittal steelworks contribute to unlawful concentrations of air pollutants in Radvanice a Bartovice with around 60% for airborne dust and by almost 92% for arsenic and polycyclic aromatic hydrocarbons (benzo(a)pyren).⁵ This was a clear rebuttal to

¹ Mittal Steel Ostrava, Annual report, 2003, http://www.mittalsteelostrava.com/M_economicrep03_s3_en.html

² See the general description of the case "In the wake of ArcelorMittal: The global steel giant's local impacts" Published by Global Action on ArcelorMittal in May 2008. http://www.responsibility.cz/fileadmin/responsibility-upload/pripady/ArcelorMittal/mittal_local_impacts_web.pdf

³ ArcelorMittal Ostrava made a profit of approx. EUR 370 million in 2006 and EUR 315 million in 2007. At the date of writing this text the data for 2008 are not yet available.

⁴ For up-to-date data from emission monitoring in the area see: <http://www.zuova.cz/informace/imise/graphpic.php> and the report for 2008 at <http://www.radvanice.ostrava.cz/jahia/jahia/site/radvanicebartovice/pid/7281>

⁵ See eg. the study graphs representing ArcelorMittal's contribution to the arsenic pollution in Radvanice a Bartovice: <http://www.nebenadostravou.cz/problem-arcelormittal/vliv-arcelormittal-na-ovzdushi/zobrazeni-znecisteni-arsenem-z-arcelormittal/>

the company's arguments that have sought to emphasise the important influence of transport and local heating in the area on air quality, thus denying its major responsibility for the situation.⁶

It is beyond any doubt that long-term exposure to such high concentrations of air pollutants constitutes a serious health risk to people living in the surrounding area. The health risks connected directly to pollution from ArcelorMittal were quantified in a study carried out by experts from the National Institute of Public Health in Kolín in late spring 2008. According to the results of this health-risks model analysis, the airborne dust emissions from ArcelorMittal may have been causing at least eight deaths per year among the five thousand residents of Radvanice a Bartovice. Furthermore, people in Radvanice a Bartovice have been at ten times higher risk of cancer related to exposure to arsenic emitted by ArcelorMittal than in other parts of Ostrava. ArcelorMittal's emissions of polycyclic aromatic hydrocarbons have a similarly serious impact.⁷

The two expert studies, initiated by Environmental Law Service, made it suitably clear that the unlawful state of air quality in Radvanice a Bartovice has been mainly connected to the ArcelorMittal steelworks and that the problem needs urgent action since it has been seriously threatening the health of thousands of people.

Unlawful permits – challenging the negative results of lax public administration

The operations of ArcelorMittal's steelworks in Ostrava are regulated via a number of administrative permits (most importantly the so-called "integrated permits" – IPPC) that



In April 2008 almost 1 000 people in Ostrava demonstrated for improvements in air quality. Photo by Miroslav Vyka

set particular conditions for each installation. However, the regional authority and the Czech Ministry of Environment which are responsible for the IPPC have obviously failed in their duty to consider the local conditions of the environment (particularly the high level of air pollution) when setting the boundaries for the ArcelorMittal steelworks' operations. As a result ArcelorMittal was allowed to run most of its installations under conditions that do not fully meet the Best Available Techniques criteria. Furthermore, most of the permits did not set emission ceilings (caps) to limit the total amount of emissions of the most problematic pollutants from the steelmaking process.

In February 2008 Environmental Law Service (ELS), together with the "Vzduch" civic organisation of local citizens, addressed the competent authorities with a legal initiative demanding a review of ArcelorMittal's IPPC permits.⁸ The initiative pointed out the obvious discrepancies between the permits and the legal requirements that have not been met (consideration of Best Available Techniques and local environmental conditions). However, the regional authority refused to start the review procedure – claiming that it has been already happening on the basis of continuous, long-term negotiations with the company. Thus it upheld the existing state of affairs.

ArcelorMittal's new investments in Ostrava – transparency comes last

Although environmental investments have been put on long-term hold by the company, this is not the case for its other investment activities, which are related mainly to insufficient production effectiveness or the production capacity of some of the oldest installations.

During March 2008 ArcelorMittal Ostrava introduced a plan to replace its old galvanizing unit with a brand new one with a three times higher production capacity. The new unit will be based on one of the best technologies that are available, however, due to the production capacity increase, its impact on the environment (namely on air quality) would be exactly the same as that of the old unit. Although the galvanizing

6 These arguments were again put on the table by ArcelorMittal's management during the first months of 2009. The management claims that even after the company decreased production the air quality hasn't improved compared to the same period in 2008. However, this is not a correct argument since the climatic conditions in January 2008 were extremely good and in January 2009 the Ostrava region underwent a long period of inversion. Furthermore, the production decrease in the steelworks does not directly correspond to a decrease in emissions: the company did not publicly state which parts of the production cycle were slowed down or stopped and what the actual level of the steelworks air emissions were. See eg. press release of ArcelorMittal Ostrava CEO Sanjay Samaddar from February 2009 (in Czech) http://www.arcelormittal.cz/AM_notice21_s1_cz.html

7 See the conclusions of the study (in Czech): http://www.nebenaodstavou.cz/_files/file/PDF/zdravotni_rizika_zavery.pdf

8 See the press release of ELS from February 2008 (in Czech): [http://www.responsibility.cz/index.php?id=210&tx_ttnews\[tt_news\]=188&tx_ttnews\[backPid\]=12&cHash=81daa30358](http://www.responsibility.cz/index.php?id=210&tx_ttnews[tt_news]=188&tx_ttnews[backPid]=12&cHash=81daa30358)

unit is not “the crucial one” in terms of reducing air pollution from the steelworks, the fact that such a big investment was aimed only at a production capacity increase and did not bring any environmental improvement illustrates clearly where the company’s investment priorities are.⁹ Since the beginning ELS together with local communities has been participating in administrative proceedings related to the investment. Up to now they have succeeded in their efforts to introduce binding ceilings limiting the total amount of air pollutants emitted by the facility, however the process has not yet been finished and will have to be further monitored.

In June 2008 the regional authority changed one of ArcelorMittal’s IPPC permits in a way that would allow the company to increase the capacity of one of the most polluting installations within the steelworks – the steel plant – by almost 500 000 tonnes of steel per year. An increase of production in this old fashioned installation may potentially have a significant impact on the emitted amount of air pollutants, but only limited additional permit conditions that insufficiently limit the potential negative impact on air pollution have been introduced.

Although the potential increase of production may have a considerable impact on people living around the steelworks, the public was effectively excluded from participation during the process of the steel plant’s IPPC permit change. ELS together with local organisation “Vzduch” claimed that the procedure applied by the regional authority in favour of the company contravened Czech law. After these objections were dismissed by the Ministry of Environment, ELS initiated a court proceeding against the decision which is still pending.¹⁰



The “Do your work properly!” banner is aimed at Ostrava’s regional officials regarding the regulation of industrial pollution.

Photo by Miroslav Vyka

Court actions – affected citizens are losing patience with the company

Throughout 2008 the residents of Radvanice a Bartovice continued their long-term activities aimed at drawing public attention to the problem of air pollution in their neighbourhoods. At the beginning of the year the residents, represented mainly by civic organization “Vzduch” and with the support of ELS, organised a petition against the irresponsible behaviour of ArcelorMittal and the state authorities – it was signed by more than 2 300 citizens. However, neither the company nor the authorities addressed have responded to the petition. In April 2008 almost 1 000 people participated in a public protest on Ostrava’s main square demanding the immediate adoption of measures to reduce air pollution in the most affected areas around the ArcelorMittal steelworks.

At the same time a citizen of Radvanice a Bartovice filed a first lawsuit directly against the company. In the action the claimant, on the basis of personal injury, requested the court to definitively recognise ArcelorMittal’s responsibility for the health threatening state of the environment in Radvanice a Bartovice and to order the company to adopt measures to minimise the impact of air pollution on the claimant’s health.

Four months later another lawsuit was initiated by another citizen of Radvanice a Bartovice demanding that ArcelorMittal immediately adopt measures to reduce its air pollutant emissions as well as to reduce the unlawful level of noise coming from the steelworks.¹¹ Both court cases, represented by ELS lawyers, are pending and still there has not been any significant development. However, ArcelorMittal, in its submitted defence response has thoroughly denied its responsibility and thus it can be expected that both cases will continue over the long term.

⁹ Another illustration of the approach of ArcelorMittal representatives to environmental issues was described last year in the GAAM study “In the wake of ArcelorMittal”. It involves the ongoing process of the building of a new coking plant in the factory. The investment was widely presented as leading to significant environmental improvements. However, during administrative proceedings it was revealed that the project is not in accordance with the legal requirement of using the best available technology. A similar example would be the company’s legal struggle against the emission ceilings set in the permit for one of the most polluting installations - the blast furnaces. See eg. the article “Mittal slíbil ekologii a dělá pravý opak” from 7th November 2007 (in Czech): http://www.enviweb.cz/?env=eia_archiv_gghdi/Mittal_slibil_ekologii_dela_pravy_opak.html

¹⁰ See the press release of ELS from July 2008 (in Czech): [http://www.responsibility.cz/index.php?id=210&tx_ttnews\[tt_news\]=231&tx_ttnews\[backPid\]=399&cHash=cf09cd063b](http://www.responsibility.cz/index.php?id=210&tx_ttnews[tt_news]=231&tx_ttnews[backPid]=399&cHash=cf09cd063b)

¹¹ See the press releases of ELS from April and August 2008 (in Czech): [http://www.responsibility.cz/index.php?id=210&tx_ttnews\[tt_news\]=205&tx_ttnews\[backPid\]=399&cHash=e8c022bb32](http://www.responsibility.cz/index.php?id=210&tx_ttnews[tt_news]=205&tx_ttnews[backPid]=399&cHash=e8c022bb32) [http://www.responsibility.cz/index.php?id=210&tx_ttnews\[tt_news\]=241&tx_ttnews\[backPid\]=399&cHash=ed9f77432d](http://www.responsibility.cz/index.php?id=210&tx_ttnews[tt_news]=241&tx_ttnews[backPid]=399&cHash=ed9f77432d)

ArcelorMittal response to public pressure

Due to increasing public pressure supported by a number of legal actions, the company has started to reflect the demands of affected residents in its PR and media actions.

On the day of the public protest in Ostrava the company announced that it would cooperate with experts from the University of Ostrava, who will supervise its investment projects in terms of application of the best available technologies.¹² Subsequent to this, the company announced that over the next five years it is planning to invest around EUR 200 million into reconstructing the existing plants and building new installations as well as introducing a number of “soft measures” not directly solving the air quality problem but highly attractive to the media – eg. creating the position of Director for the Environment in the company management, opening a ‘green line’ telephone service for residents’ complaints, planting trees in the surrounding neighbourhoods etc.

However, up until now the company has not introduced any comprehensive analysis and investment plan to analyse the air quality in Radvanice a Bartovice and identify measures to reduce pollution to an acceptable level. Moreover, company representatives admitted that even the investments already announced may have been threatened by the onset of the economic crisis.¹³

These concerns became reality in April 2009 when ArcelorMittal, together with two other steel companies from the region, requested financial support from the state, the postponement of the planned environmental investments and the putting on hold of the preparation of new environmental legislation – all this in order to “keep jobs” in

the region.¹⁴ The reasons presented for the request were a lack of funds and threats to the companies’ competitiveness.

As previously mentioned, over the last seven years ArcelorMittal has made more than EUR 1.5 billion of pure profit in Ostrava. About 1 billion was later officially loaned to the parent company and only very limited investments were made in Ostrava.¹⁵ In light of this, the behaviour of the company, namely the request for state aid to fulfil its environmental obligations, seems to be another example of sheer irresponsible behaviour.

Skies over Ostrava – stakeholders proposing a systemic solution

In autumn 2008 ELS, together with “Vzduch”, presented to the ArcelorMittal management in Ostrava a proposal of six concrete measures that should be adopted in order to achieve a systematic improvement of the company’s negative impact on the environment in the surrounding areas. These include carrying out an expert analysis to identify the amounts of pollutant emissions from the steelworks that are acceptable in terms of air quality in the area, followed by a clear and time-framed investment plan.

The proposal, in the form of an open letter, was addressed directly to the company CEO Sanjay Samaddar and by now has been supported by almost 600 civic organisations and members of public who have joined an open coalition called Skies over Ostrava.¹⁶ The company has yet to respond to this initiative. It is another example of the selective approach of ArcelorMittal Ostrava towards stakeholders’ involvement which is only limited to activities and stakeholders that are uncritical of the company and ignores the civic representatives of the affected inhabitants of Radvanice a Bartovice, who are engaged in more long term critical initiatives against the company.



View of ArcelorMittal Ostrava from Radvanice and Bartovice district.

Photo by Environmental Law Service

¹² See the press releases of ArcelorMittal Ostrava from April 2008 (in Czech): http://www.arcelormittal.cz/pdf/48_cz.pdf

¹³ See the article: “Potíže Mittalu a Evrazu se šíří do okolí”, April 1, 2009 http://hn.ihned.cz/c3-36565920-500000_d-potize-mittalu-a-evrazu-se-siri-do-okoli

¹⁴ See the article: “Chcete čistý vzduch? Zaplaťte nám za něj, žádají hutě”, April 8, 2009 <http://aktualne.centrum.cz/ekonomika/penize/clanek.phtml?id=634070>

¹⁵ See the article: “Menšinovi akcionáři chystají žalobu na ArcelorMittal Ostrava”, February 25, 2009 <http://www.finance.cz/zpravy/finance/210868-hn-mensinovi-akcionari-chystaji-zalobu-na-arcelormittal-ostrava/>

¹⁶ See www.nebenadostravou.cz

The Stakeholder Engagement mirage in Kazakhstan

5



The Shakhtinsk coal mine adjacent to the city of Karaganda.

Photo by CEE Bankwatch Network

Background

ArcelorMittal Temirtau (AMT) is one of the largest integrated steel plants in the world, located in the city of Temirtau (population 170 000) in the Karaganda Region of Central Kazakhstan.

AMT operates eight coal mines in the region, producing coal for steelmaking. The company is one of the largest polluters in the country, emitting 95% of total harmful pollutants into the atmosphere in Temirtau.

The company is well known for its poor health and safety practices. In the last five years 99 miners have died at AMT because of accidents involving methane explosions. At the same time the population of Temirtau and the small towns where the coal mines are located are directly and highly dependent on the company.

The steel plant, along with the coal and iron ore mines, was acquired by ArcelorMittal from the Kazakhstan government in 1995. Since that time the company has directly and indirectly received more than USD 400 million in public loans from international financial institutions – the European Bank for Reconstruction and Development and International Financial Corporation. Among the goals of the approved loans was the improvement of the company’s environmental and health and safety performance.

The most recent loan was provided by the EBRD in 2007 and aimed at supporting “further improvements” to the health and safety practices at Mittal’s coal mines in Karaganda¹. This loan was approved one year after the completion of a project supported in 1997 with an EBRD and IFC syndicated loan of USD 250 million for Mittal.

In 2008, in spite of the new EBRD project for coal mine modernisation, two further mining accidents occurred, leaving 35 people dead. The company’s management argues that the intense presence of methane in its mines represents a major safety hazard and that huge investments into improvements in health and safety in the mines have been made. This statement contradicts the reports of the Kazakh authorities, who have blamed AMT for insufficient safety measures and using outdated equipment². The management has recently stated that it has launched a long-term programme to upgrade working conditions and equipment at its mines and that it will spend a total of USD 262.8 million on equipment modernisation this year. Yet the company is silent about the nature of these upgrades.



Tentekskaya coal miners.

Photo by Valeriy Kaliev

¹ <http://www.ebrd.com/projects/psd/psd2007/37546.htm>

² Press release published by the General Prosecutor’s Office of the Republic of Kazakhstan. April 3, 2008. <http://www.procuror.kz/?iid=5&type=news&lang=ru&nid=2449>

Access to information

In contrast to ArcelorMittal's declarations that the company's communication with stakeholders is constantly improving, there are no significant signs of increased transparency in the company's operations in Kazakhstan.

Local communities and civil society groups have very limited access to environmental information on AMT's activities. The company ignores most requests for information on environmental and health and safety issues, including information related to the implementation of the EBRD-financed projects.

Among other documents, AMT has not disclosed the Memorandum of Understanding signed with the Kazakh government on granting state subsidies to the company during the financial crisis, the audit report of the EBRD financed project of 1997 and the Environmental and Social Action Plan for the EBRD project of 2007.

The public's lack of trust in the company is reinforced by the secrecy with which AMT guards its emissions records and information about its investments into health and safety in its coal mines. The local state governing organisations and the EBRD in most cases also decline to release information, referring to the protection of business confidentiality.

Stakeholder Engagement Plan

ArcelorMittal has pledged in its Corporate Responsibility Report to significantly improve communication with stakeholders. In 2008 the company presented its Stakeholder Engagement Plan (SEP) to the public, prepared by

international consultants hired by AMT. The plan is aimed at improving the company's relationships with all groups of stakeholders, with special attention paid to the representatives of local communities and NGOs.

It was hoped that the plan, which sets up promising standards, would be implemented and the company would use it in cooperation with the public. As a result of that, it was expected that AMT would provide the opportunity to local communities and civil society groups to be involved in the monitoring of the company's activities on health and safety issues at its AMT operations.

The company stated that the plan will "require a more systematic approach to stakeholder engagement than we have previously employed in Temirtau, Karaganda and some of the larger mines". When commenting on the plan, AMT claims: "We believe that these are significant steps towards improved transparency and accountability, and hope that this document will enable stakeholders to set their expectations of ArcelorMittal in Kazakhstan".³

However, the positive changes proposed by the SEP, such as the development and introduction of a Public Information Policy, Grievance Mechanism and Proactive Stakeholder Engagement Mechanism, have not been implemented. The SEP also fixed specific timelines for information disclosure, where the latest date was December 2008. None of the promised documents has been released so far (at the time of writing: mid-April 2009).

At a meeting between Karaganda Ecological Museum and AMT's staff in January 2009 the company's CSR manager explained that the SEP presented in 2008 is only a draft, which has not been approved, and that the relevant responsibilities have not been allocated to staff. The dates when the SEP will be approved and implemented have not been set. The culture of responsibility in the company is still very low. AMT's managers at different levels do not know how to respond to requests and who is responsible for what. There have been cases, when requests for information have simply been "lost in the corridors". Another problem that has been recognised by the company is the lack of co-operation between different departments within the company. This often looks as if the top management is unable or unwilling to influence its own departments.

All this demonstrates that the plan promoted both by ArcelorMittal and the EBRD as the company's flagship public relations effort has failed. This disappointing fact also raises questions about ArcelorMittal's plans to use the SEP developed for Kazakhstan as an example to initiate similar processes in its other countries of operation.



Helmets of deceased miners after a methane explosion at the ArcelorMittal-owned Lenina mine in Shakhtinsk, Kazakhstan, September 2006.

Photo by Valeriy Kaliev

³ ArcelorMittal Kazakhstan, Stakeholder Engagement Plan, 26th March, 2008

How to lose friends and alienate people: ArcelorMittal in Bosnia-Herzegovina

6



ArcelorMittal Zenica.
Photo by Dado Ruvic

ArcelorMittal made itself unpopular with communities in both Entities of Bosnia-Herzegovina during 2008. The company owns a steelmill in Zenica, in the Federation of Bosnia-Herzegovina, and iron ore mines in Omarska, Republika Srpska. At both sites communities have been affected by the company's activities.

ArcelorMittal Zenica

In July 2008 ArcelorMittal Zenica restarted integrated steel production after the facilities were damaged and closed down by the war in the 1990s. During the preceding years only some of the facilities had been working: the power plant, the heating plant, the 15 tonne Electric Arc Furnace and the new 100 tonne Electric Arc Furnace that went into operation in 2005. The new facilities brought with them additional SO₂ and dust emissions.¹

Local people do not have a complete picture of what they are breathing in. The Kemal Kapetanovic Metallurgy Institute, part of the University of Zenica, measures ambient air quality for SO₂ and total suspended particles only. Nevertheless, the data showed that in 2008 whereas EU legislation allows SO₂ concentrations of 125 micrograms/m³ on three days per year, in Zenica this level was exceeded on 66 days. The air in Zenica did not meet either the Federation of Bosnia-Herzegovina (Federation of BiH) or EU air quality standards for SO₂ concentration in 2008.²

In 2009 somewhat more detailed monitoring of ambient air quality in Tetovo, near the steelmill, was carried out by the Dvokut d.o.o. consultancy from 13 to 22 February, measuring hourly average concentrations for SO₂, PM10 suspended particles, Nitrogen Oxide and Dioxide (NO/NO₂/Nox), Carbon Monoxide (CO), Ozone (O₃) and Benzene (C₆H₆). The results showed that:

- On 18 February the limit value constituting 'emergency' status was exceeded (three consecutive hours of SO₂ concentrations higher than 500 µg/m³).
- The limit value for daily average concentration of PM10 of 100 µg/m³ was exceeded on four days from 13 to 22 February, but according to Federation of BiH legislation is only allowed to exceed this seven times in the whole year.
- Levels of benzene pollution were high, sometimes at an alarming level.
- Concentrations of carbon monoxide, ozone and nitrogen gases expressed as nitrogen dioxide were within the permitted levels. These are pollutants generally characteristic of heavily trafficked areas, showing that this was not the main cause of the pollution.

¹ Univerzitet u Zenici: Plan Aktivnosti Sa Mjerama i Rokovima Za Postupno Smanjenje Emisija, Odnosno Zaganjenja i Za Usaglasavanje Sa Najboljom Raspolozivom Tehnikom Za Pogone i Postrojenja ArcelorMittal Zenica - Integralni Plan aktivnosti sa izmjenama i dopunama, January 2009, p.23

² Data from Kemal Kapetanovic Institute of Metallurgy, Zenica

The Federation of BiH's air pollution legislation is not in accordance with EU legislation, and comparing the results with EU legislation shows an even more serious picture, for example:

- The limit value for daily average concentration of SO₂ of 125 µg/m³ was exceeded six times in ten days even though it is only allowed to be exceeded for three days in the whole year in the EU.
- The hourly average concentration of benzene varied between 0.78 – 143.40 µg/m³, and the daily average between 15.66 – 26.25 µg/m³. Yet EU legislation allows a yearly average concentration no more than 5 µg/m³. In Pancevo, Serbia, emergency sirens are sounded when the concentration reaches around 100 µg/m³m, a situation which occurred during the measuring period in Tetovo.³

ArcelorMittal fined for failure to measure pollution

On 26 September 2008, the Federal Administration for Inspection Services issued a press release detailing the results of several inspection visits undertaken to ArcelorMittal Zenica, covering environment, labour and health and safety, construction, energy, water management and forestry issues. The short excerpt on environment stated that the company was failing to measure air emissions and that it had failed to appoint a person responsible for waste management. A fine of 13 500 Convertible Marks (EUR 6750) was imposed for this, in addition to fines for other violations. ArcelorMittal has since started to measure its dust and gas emissions⁴, at least four years after taking over the plant – but at the time of writing no results have been released.



The city of Zenica suffers from very heavy air pollution from ArcelorMittal's steel plant.
Photo by Adnan Dzonlic

Zenica residents lose patience

In 2008 Zenica residents started to lose their patience with ArcelorMittal, perceiving that the company was putting profit before local people by re-starting integrated steel production before many of the pollution problems with the plant had been addressed. Several protests and events were held to put show dissatisfaction with the pollution situation. The largest protests were in December 2008 when the city's district heating plant, run by the company, stopped functioning for over a month during cold weather and schools had to be closed. The protests drew attention to both the lack of heat and the pollution caused by the company.

Slow progress with EAP and permit procedures

ArcelorMittal Zenica is still in the early stages of the process of obtaining an environmental permit for the re-start of its integrated steel production. In order to issue a temporary environmental permit, an Environmental Action Plan (EAP) is required. The implementation of an Environmental Action Plan is also required by the European Bank for Reconstruction and Development (EBRD), which in 2005, the year after ArcelorMittal acquired a majority stake in the plant, approved a EUR 25 million loan to the company for energy efficiency and environmental improvements.

After long period of unclarity as to what was happening with the EAP, in early 2009 part of the EAP (the activity plan) was published by the Federal Ministry of the Environment for public consultation. Public hearings were held in early February in Zenica, and later a fuller version of the EAP was published, although it still does not appear to be complete.

While the fact that consultations on the EAP took place is to be welcomed – since the EAP has not been published at all in the other countries we are aware of – their value was diminished by the fact that the EAP for the steel plant and rolling mill was approved on 12 February 2009⁵, when the month-long public consultation was still ongoing, making it unlikely that any public comments were incorporated. The longer version of the EAP was also not available at the beginning of the consultation. The EAP for the other parts of the plant was approved on 5th March 2009,⁶ more than three and a half years after the EBRD approved financing for the project.

Zenica Eco-Forum, a local citizens' initiative, has made the following comments and demands about the Environmental

³ Mr Fahrudin Duran: Analiza rezultata mjerenja zagađenosti zraka u periodu od 13. do 22. februara 2009. godine na lokaciji «Tetovo» u Zenici, 07.03.2009

⁴ E-mail response from Mr Jean Lasar, ArcelorMittal to Mr Dirk Janssen on a draft article on ArcelorMittal, 27.03.2009

⁵ E-mail response from Mr Jean Lasar, ArcelorMittal to Mr Dirk Janssen on a draft article on ArcelorMittal, 27.03.2009

⁶ E-mail response from Mr Jean Lasar, ArcelorMittal to Mr Dirk Janssen on a draft article on ArcelorMittal, 27.03.2009



EMISSIONS

BOSNIA AND HERZEGOVINA

HEALTH RISKS

ARCELMITTAL

GLOBAL

Action Plan, but at the time of writing has not received any response from the Federal Ministry of the Environment and Tourism:

- Complete continuous internal and external emissions monitoring must be carried out by independent, licensed institutions. The data must be open, transparent and accessible to all citizens at all times. Without such monitoring no environmental permit should be issued.
- The EAP should contain an overview of the baseline pollution situation at the time of the start of integrated production, before the investments (ie. 2008 – the plan currently has most data for 2006, before integrated production recommenced, so it is not very useful for measuring how much the investments diminish the pollution). This is an obligation under Article 4 Point 6 in the “Ordinance on conditions for submission requirements for the issuance of an environmental permit” for ArcelorMittal’s plants that had permits issued prior to the entry into force of the Environmental Protection Law (Official Gazette of the Federation of BiH, No. 68/2005).
- The EAP must contain an overview of the baseline situation of the plant’s condition and what is needed in order to bring it to its proper working condition. The Federation of BiH federal inspectorate found a whole series of irregularities regarding the switching on of the facilities that had not been working for 12 years in the blast furnace, coking plant, steelmill, extraction system and elsewhere: “The facilities have been put into operation without the required testing, without the necessary permits and without a previous test run”.⁷ This is a legal obligation in the above quoted Ordinance.
- The EAP must contain details about the expected effects of the rehabilitation of the sources of pollution each year, in order to ensure that the plan is having the desired effect, rather than waiting until after 2012 and then finding that the results are not satisfactory. It is also necessary to be clear whose responsibility is the effectiveness of the planned activities. Implementation reports should be published each year.

- Clear and accurate deadlines must be part of the EAP. The EAP has deadlines but many of them are too vague and have already apparently been missed. So far all the legal deadlines for obtaining an environmental permit have been missed (Environmental Protection Law of the Federation of Bosnia and Herzegovina Art. 71 and 72). The buying of time must be avoided and deadlines must be met, with clear sanctions for failing to do so.

As ArcelorMittal has taken so long to draw up the EAP, the residents of Zenica can only hope and put pressure on the company to ensure that the EAP is implemented as soon as possible. ArcelorMittal has stated that the plant will comply with EU environmental standards by 2012, and it can be sure that it will be carefully watched to ensure that this happens.

ArcelorMittal Prijedor’s trail of destruction in Omarska

Extraction of the iron ore for the Zenica steelworks takes place in mines near Omarska, in the Prijedor District of Republika Srpska, which are also owned by ArcelorMittal. At the moment ArcelorMittal extracts ore in two open pits, Jezero and Mamuze, which are situated at a distance of 3 km from Omarska and are supposed to be closed down in June 2009. A new 550-hectare open cast pit called Buvac, whose centre would be only 1.4 km from the centre of Omarska, is to be opened in their place.

ArcelorMittal has already begun preparatory works in spite of no environmental permit having yet been obtained. The local river Gomjenica was diverted from its course into an artificial channel in late 2007, as it was crossing the site of the future Buvac mine. The artificial channel is seven times the width of the original stream. According to the Spatial Plan of the Omarska Iron Ore Mine, the investor was supposed to build new bridges over the artificial channel. However, only one small bridge over the channel was built by the local authority with the help of the armed forces in the winter of early 2008. Before this ArcelorMittal had constructed a bridge that only lasted a month before the water destroyed it. Thus inhabitants in the village of Gradina were cut off for three months and had to take a detour of 15 km. ArcelorMittal has also partly built a road around the future mine, to replace the existing asphalt road that crosses the site, and has cut the forest on the land, destroying agricultural land and a recreation area.

In order for the future mine to operate several properties have had to be expropriated. According to the newly approved Spatial Plan for Prijedor District, the land around the mine is in a so called “red zone” where all construction and development should be compatible with the future



All that is left of a former recreational beauty spot in Omarska.
Photo by CEE Bankwatch Network



An aerial view of the Gomjenica river diverted from its course to accommodate the Buvac mine.
Photo by Miso Danicic, Eko Pokret Omarska

⁷ Press release of the Federation of Bosnia-Herzegovina federal inspectorate, 26.09.2008

expansion of the mine. Thus people are discouraged from building or expanding their commercial activities on their private property. As well as direct appropriation, these limitations on local people therefore present a case of indirect expropriation.

In some cases people are unsatisfied with the amount of money offered by ArcelorMittal as they say it will not be enough for them to move. However they are afraid that if they do not take the compensation now they will have to move empty-handed eventually when the extraction activities commence and get closer and closer to their land. In other cases ArcelorMittal's activities have or will have a significant impact on people's properties but as they are not directly above the mine they are not being offered compensation. ArcelorMittal claims that in ninety percent of cases agreement has been reached with the owners through direct negotiations.⁸ However there are still several court cases pending on the question.

As well as these issues around the new mine, Omarska is still suffering from the effects of ArcelorMittal's current operations.

Ore is transported to Zenica and elsewhere from Omarska by train, and the loading ramp at the rail station is situated right in the centre of Omarska, near shops, restaurants, the youth centre, the church, the elementary school and residential areas. The platform where the ore is piled up does not have a drainage system, so leachate from the ore pollutes soil and underground water. The nearby residential area relies on water supply from wells – the water in the wells is often red. During the summer, in dry and windy conditions, dust from the piles of ore is blown over the nearby residential area, situated across the street at only approximately 20 metres away, and over the whole village of Omarska. This dust accumulates on all surfaces and plants,



ArcelorMittal's loading ramp is just a few metres from the nearest houses in Omarska.
Photo by CEE Bankwatch Network

so people cannot open their windows or dry laundry in the air. Air emissions and air quality in Omarska are not measured by the authorities.

Dr. Slavica Popovic, the director of the local clinic and a paediatrician who is also a representative in the Municipal Council of Prijedor, has testified to the high number of respiratory, urinary and cancer diseases in the area. For example, there are a number of children with asthma, who need special therapy, as well as two extremely rare cases of brain tumours in the village of Gradina, which is the nearest settlement to the Medjedje tailings pond.⁹

The Medjedje tailings pond receives wastewater from the operating pits through an open channel. Iron ore waste is subject to sedimentation in one end of the pond. The dam wall at the other side of the pond is built of stones and soil. The stability of the dam wall is under question, thus posing a risk to properties in the valley below it.

ArcelorMittal claims that the safety of the dam is checked at least twice a month and that various monitoring measurements take place.¹⁰ However the results of these have not been released and the alarm system stipulated by the spatial plan for the mines has not been installed. No evacuation plan appears to exist, nor an emergency action plan, or if they do they have not been published. The tailings facility is used as a fishing pond and is a popular place for local fishermen, in spite of the fact that there is no clarity on the level of unstabilised heavy metals in it.

Becoming more and more concerned at what ArcelorMittal is doing to Omarska in the name of developing its mines, in 2008 local people founded Omarska Eco-Movement to push for urgent improvements to the company's practices. The group has already taken part in the public consultation on the new spatial plan in late 2008 which lays down some conditions for the mines' activities, held meetings with the company and local communities, appeared in the local media and submitted a number of official information requests on ArcelorMittal's activities.

Omarska Eco-Movement is requesting that ArcelorMittal makes a number of investments to mitigate the impacts of the current mining operations such as moving the loading ramp outside of the centre of the village, and that the company adheres to the law in the preparation of its new mine, for example by halting works until the Environmental Impact Assessment process has been completed.

⁸ E-mail response from Mr Jean Lasar, ArcelorMittal to Mr Dirk Janssen on a draft article on ArcelorMittal, 27.03.2009

⁹ Discussion during visit to Omarska clinic, 5 February 2009.

¹⁰ E-mail response from Mr Jean Lasar, ArcelorMittal to Mr Dirk Janssen on a draft article on ArcelorMittal, 27.03.2009

ArcelorMittal in Liberia – problems to iron out

7

Background

ArcelorMittal’s investment in Liberia’s iron ore sector seeks to insulate its steel business from surging iron ore prices and secure an uninterrupted supply of raw material for the company’s steel mills. The Liberian mining project is its most ambitious to date. For the company it is a test of whether it can successfully implement the difficult new mining projects that underpin its expansion plans.

Liberia, recovering from two decades of civil war and instability, is in desperate need of rebuilding its economy and improving the living standards of its impoverished population. Thousands of ex-combatants and war-affected youths need education and training. They also need employment to reduce their vulnerability to recruitment by armed groups that could take the country back to war.



UN security forces overlooking the Nimba mine abandoned during the 14 year civil conflict in Liberia. The mine is now owned by ArcelorMittal.

ArcelorMittal has experience operating in challenging countries, snapping up ageing steel mills and mines from Kazakhstan to Bosnia and turning them around. But whereas earlier acquisitions were often rundown assets in inhospitable regions, they were still functioning. In Liberia, ArcelorMittal is taking over an old mining project that was abandoned by a Liberian-Swedish-American company, Lamco, in 1989 during the country’s first civil war. The operation will have to be rebuilt practically from scratch.

However, despite the fact that ArcelorMittal’s mining operations have not even begun, the company’s response to the socio-political and environmental challenges it faces in Liberia are inadequate given their number and importance. It seems that in its local policy the company is following the route of other extractive industries in developing countries haunted by the “resource curse,” such as Nigeria where decades of oil exploration has resulted in environmental degradation and abuse of human rights. The promises of development and an end to poverty have never materialised.

ArcelorMittal seems to be neglecting the fact that Liberia receives low scores in most international governance and anti-corruption indicators. Widespread public anger at the governing elite, in particular for the mismanagement of the country’s natural resources, was one of the original causes of the civil war. Such resentment may possibly surface again.

Making the deal

A 25-year concession to develop the iron ore deposits, situated in the northwest of the country near the border with Guinea, was first negotiated in 2005 by Mittal Steel (Mittal took over Arcelor, the European steel firm, a year later) with the National Transitional Government of Liberia (NTGL). The total investment package was put at USD 900 million. Mittal agreed to an annual payment of USD 3 million for communities to be affected by Mittal Steel

operations (Community Development Fund). The NTGL handed over several state assets, including the railway linking the mines in Yekepa and the port city of Buchanan. Housing estates in Yekepa and Buchanan, hospitals in Yekepa and Buchanan and the Port of Buchanan were also surrendered to Mittal Steel. A five-year renewable tax holiday was also granted to the company.

Following the signing of the deal there were many allegations of bribery, coercion and external pressure leading to the awarding and signing of the Mineral Development Agreement (MDA) with Mittal Steel. Many critics and analysts considered the contract unfavourable to the Government of Liberia (GOL) and people of Liberia. Global Witness’ 2006 report “Heavy Mittal?”¹ highlighted the following concerns:²

- Mittal Steel has control over the amount of royalties paid to the government because the MDA does not specify the mechanism to set the price of ore and leaves open the basis for intra-company pricing, creating a strong incentive for Mittal to sell the ore below market value to an affiliate, which would reduce the actual royalties paid to the GOL.
- Mittal Steel enjoys a five-year extendable tax holiday in Liberia and, once this is over, has created an international tax regime that encourages the repatriation of profits to low tax regimes in Cyprus and Switzerland, thereby potentially denying Liberia significant tax revenues.
- The company structure created by Mittal protects the parent company from guaranteeing or bearing the risk of the activities and liabilities of its subsidiary.
- Two major public assets of Liberia, a railway and the port of Buchanan, are transferred to Mittal Steel and the GOL will only be allowed to use these facilities if there is spare capacity.
- The stabilisation clause freezes Liberia’s laws on concessions, and has the potential to undermine Liberia’s

1 http://www.globalwitness.org/media_library_detail.php/156/en/heavy_mittal

2 http://www.globalwitness.org/media_library_detail.php/459/en/mittal_steels_us900_million_deal_in_liberia_is_in



EMISSIONS

LIBERIA

HEALTH RISKS

ARCELORMITTAL

GLOBAL

right to regulate in important public policy areas such as human rights, the environment and taxation. It could severely limit Liberia's ability to fulfil its current and future obligations under the Liberian Constitution as well as its commitments under international law.

- The Concessionaire has far-reaching authority to possess public and private land without providing adequate compensation or the means to seek effective redress.
- The provisions for the maintenance of a security force by the Concessionaire fail to adequately establish the limits of its authority, which could be particularly harmful in Liberia, in view of the historic involvement of private security forces in human rights abuses.

Heinrich Böll Stiftung, in its Resource Governance Dossier, also claimed that much of the controversy around the signing of the MDA by the transition government centred on allegations of corruption at various stages of the allocation process.³ For example, some members of the legislature were accused of receiving bribes to ratify the MDA. Most of the legislators reportedly did not see the full text of the MDA and apparently relied on a 2-page summary of the 79-page MDA prepared by the executive branch, which had negotiated the agreement. Numerous questionable terms in the MDA drew criticism from a few members of the legislature, members of civil society, some technical experts and the public,⁴ thus making the MDA a critical issue during the Liberian presidential campaign of 2005. This consequently attracted a pledge from the incumbent president, then a candidate, that she would review the agreement if elected.

Following the inauguration of President Ellen Johnson-Sirleaf in 2006, the GOL and Mittal Steel agreed to renegotiate the contract. The amended contract was signed on 28th December 2006. The new MDA was ratified by the Liberian Legislature in May 2007. The MDA changed the terms of use of the state assets that were initially turned

over to Mittal Steel. The investment package was increased to 1 billion USD and the tax holiday was abolished. The Community Development Fund was increased to USD 3.5 million. Mittal Steel later increased the package to USD 1.5 billion.

The plan

ArcelorMittal plans the development of an iron ore mining hub in West Africa. Mining licenses are still available in the region, and it is more conveniently situated for markets in Europe, the Middle East and the U.S. than current major exporters such as Western Australia or Brazil. According to Mittal, the Liberian investment is the company's cornerstone in West Africa. The Liberian project would carve out a stake in one of the few regions that have not already been locked down by one of the big three global miners: Brazil-based Vale do Rio Doce and Anglo-Australian Rio Tinto PLC and BHP Billiton Ltd. The three control more than 75% of the world's seaborne iron ore trade.⁵

The company's investment in Liberia (25-year concession to develop the iron ore deposits) is a complex plan involving:

1. Rehabilitation of an abandoned iron ore mine in Nimba County.
2. Renovation of the port of Buchanan, to accommodate iron ore carriers.
3. Rehabilitation of the 270 kilometre railway from Buchanan to Yekepa.
4. Construction of a 250-megawatt power plant to supply an iron ore processing facility.

The company is also rehabilitating and rebuilding houses, hospitals and schools built and financed by LAMCO in the town of Yekepa.

³ Beyond EITI: The Need for Transparency in the Awarding of Concessions
<http://www.boell.de/intlpolitics/energy/resource-governance-2748.html>

⁴ Liberian government hearing for Mittal Steel under review.
<http://www.steelguru.com/result/index/page/1#2062>

⁵ Arcelor, Liberia Bank on Project. Iron Ore Daily Post.
<http://ironoredaily.wordpress.com/2008/05/30/arcelor-liberia-bank-on-project/>

Production of iron ore was set to begin in 2009, initially at 500,000 tonnes a year and gradually ramping up to as much as 25 million tonnes by 2011. If successful, it will boost by more than half ArcelorMittal's current captive iron ore supply of 46 million tonnes a year. The company has now pushed back this date and said it will start production in 2010.⁶

Challenges

The main problem with this investment is the enormous scale of the development facing Liberia: it remains one of the poorest and least developed countries on earth, with a per capita income of USD 500 per year, unemployment at an overwhelming 85% and 80% of the population living below the poverty line in a country of some 3.5 million. The country's estimated gross domestic product was USD 926 million in 2008, according to World Bank data. According to the ArcelorMittal Liberia CEO Joseph Matthews this investment is expected to generate about 3,500 direct jobs and about 15,000 to 20,000 indirect jobs by the time full mining production is realised.⁷ In this context, the new jobs promised by the company are a drop in the ocean. ArcelorMittal will also be the largest and most powerful private company in the country so pressures on it to deliver more in this respect are most likely to escalate.

The second reason for concern is that ArcelorMittal's public responses to similar socio-political and environmental challenges it faces in other countries are inadequate, and this is only likely to be more severe in Liberia, given the number of issues it faces there. Some of the main extractive industry companies are increasingly seeing that their own interests lie in working hand-in-hand with governments and local and international civil society organisations to improve their performance in terms of social, environmental and development issues.

Most companies still struggle in this respect. ArcelorMittal's efforts in Liberia will be judged against its rather weak record in these terms in other countries where it operates and against the overall extractive industry's performance. At the global level, ArcelorMittal is only now developing its corporate responsibility policies (CSR) and procedures (on human rights, for example). Established miners such as Anglo American and BHP Billiton have had these basics in place now for years.⁸

In environmental terms, one of the largest challenges the company faces is to properly conduct, release and implement the Environmental Impact Assessment (EIA) for its mining operations on the Nimba Mountain. Located on the borders of Guinea, Liberia and Côte d'Ivoire, Nimba Mountain, excluding Liberia's portion, has been a nature

reserve since 1944. Currently, covering 180 km², the Mount Nimba Strict Nature Reserve is classified as a World Heritage Site, including both rainforest and savannah. It is a "strict" reserve, forbidding even tourism.⁹

Issues to address

Although the amended MDA addressed the most onerous provisions of the original agreement concerns about the company's performance are already surfacing.

1. Lack of transparency in the management arrangement agreed with the government

- Several questions about the social Community Development Fund that the company promised to make available to communities in Nimba, Bong, and Grand Bassa have not been addressed.

According to a letter from ArcelorMittal on 10th March 2008, as of October 2007, ArcelorMittal had disbursed to the GOL about USD 4 million, which is being held in an escrow account at the Ministry of Finance and is to be allocated for projects that are consistent with the country's Poverty Reduction Strategy. A dedicated committee has also been formed according to the terms of the contract. On 16th April 2008 it was reported in the News (Monrovia) that the President of Liberia had submitted a supplementary budget for the fiscal year 2007/2008 which included USD 994,522 from the ArcelorMittal Community Development Fund. It is unclear how the money included in the supplementary budget relates to the USD 3 million which the company is required to pay local communities in Nimba, Bong, and Grand Bassa counties and to what extent the communities have been involved in planning the projects to spend this revenue.

⁶ ArcelorMittal Liberia CEO Joseph Matthews in "ArcelorMittal Slow to Yield Benefits for Liberians," March 13, 2009 <http://allafrica.com/stories/200903130670.html>

⁷ Interview with Mr. Joseph Matthews (CEO ArcelorMittal Liberia). <http://www.winne.com/dninterview.php?interview=2284>

⁸ ArcelorMittal's African iron ore mining gamble. <http://www.mineweb.com/mineweb/view/mineweb/en/page68?oid=73098&sn=Detail>

⁹ Mount Nimba Strict Nature Reserve. <http://whc.unesco.org/en/list/155>



EMISSIONS

LIBERIA

HEALTH RISKS

ARCELORMITTAL

GLOBAL

- On 25th August 2008, ArcelorMittal donated 100 pickup trucks to the GOL to support agriculture activities across the country. The pickups were assigned to members of the Liberian legislature. The donation of 100 cars to the legislature by ArcelorMittal was reportedly made as the result of an appeal by President Ellen Johnson. Many people, including civil society actors, continue to harbour doubts about the truth of the Government of Liberia and ArcelorMittal’s claims.

2. Failure to produce the jobs the company has promised and the labour strategy being used – most of the people the company claim they have hired are actually short-term contractors hired by firms employed by ArcelorMittal.

3. The company's strategy of sub-contracting most of its activities raises questions about long-term job security for those hired by the sub-contractors

Liberian workers renovating 250 kilometres of railroad from the coastal port of Buchanan to the mining town of Yekepa have been hired by a Brazilian company Odebrecht, which has been contracted by ArcelorMittal. The workers work six to seven days a week in the tropical heat, and sleep in tents on a plywood floor. They are allotted one cup of rice and soup daily, drink well water and have their pay docked for hospital visits.¹⁰ The Odebrecht company website says, “For every day worked, each of them receives a kilo of rice and the equivalent of one U.S. dollar to pay for their meals, in addition to monthly wages”¹¹. However, the workers claim they earn an average monthly salary of around USD 80 after taxes, which in Liberia’s inflated economy leaves them struggling to cover basic necessities like rent, food, transportation and school fees for their families back home.¹²

4. The fate of communities targeted for displacement and relocation in Nimba

According to local people, the EIA that is being carried out near Yekepa will eventually lead to the relocation of several towns and villages and the company has already put a moratorium on farming activities in areas that are considered to be close to where the company will be mining. The citizens are quite worried because a similar displacement was carried out by the former Lamco, without any compensation to those who were relocated.

There has been no communication between the communities that would be affected and ArcelorMittal on the pending relocation and the current moratorium on farming. However, when the Publish What You Pay group (PWYP) raised the citizens’ concerns during a meeting of the Multi-stakeholder Steering Group meeting in Monrovia on 30th October 2008, the company representative, Mr. Marcus Wleh, confirmed the relocation plan, but said that the

company is putting in place a “social development package” to deal with the relocation. Mr. Wleh also admitted that the company has not communicated with the communities on the company’s plan.

5. The potential impact of mining on the integrity of the East Nimba Nature Reserve

The EIA for the area is being carried out by Afrique Nature International, facilitated by ATKINS, an Environmental Consultancy Group based in Cambridge, UK. During the conduct of the EIA, scientists have already discovered plant and animal species unknown for this area and indicated that as a result of the mining’s impact on the environment, some animal and plant species will vanish.¹³

According to an assessment by the Global Environment Facility from 2003, in spite of certain actions in support of conservation, the expansion of mining and forest loss due to agricultural, forestry and other commercial pressures will lead to the loss of the majority of the biodiversity of the Nimba Mountains. The loss of biodiversity will be accompanied by increasing poverty of local people, characterised by declining agricultural production, low levels of animal production, and worsening health and sanitary conditions. It concludes that the potential contributions of the mining company will not be sufficient to address the magnitude of the problems, even if the mining is carried out responsibly.¹⁴

¹⁰ Liberia: ArcelorMittal Slow to Yield Benefits for Liberians, <http://allafrica.com/stories/200903130670.html>

¹¹ <http://www.odebrechtonline.com.br/materias/01601-01700/1641/>

¹² Liberia: ArcelorMittal Slow to Yield Benefits for Liberians, <http://allafrica.com/stories/200903130670.html>

¹³ Scientists discovered unusual plants & animals species, Liberia Forestry Development Authority, 5th February 2009. http://www.fda.gov.lr/press.php?news_id=186

¹⁴ Report for the PDF B Project ‘Biodiversity Conservation of the Nimba Mountains’, http://www.gefweb.org/Documents/Council_Documents/GEF_C21/Bio_-_Guinea_-_Annexes.pdf

Conclusions

Many Liberians are desperate for jobs. The President of Liberia is desperate to create job opportunities for the county’s restless ex-combatants and the unemployed. The authorities are desperate to attract investments in the counties to create jobs in their constituencies. The country and its leadership are therefore extremely vulnerable. This is manifested by the fact that there have been very few concerns within Liberia about the issues raised in this briefing – lack of job security, lack of accountability in the management of the Community Development Fund and plans to relocate villages in Nimba. The high tendency to label people that are critical of these arrangements as anti-development has challenged civil society to the extent that they are reluctant to raise these questions within the country.

Even before ArcelorMittal’s mining operations have begun, the company’s response to the socio-political and environmental challenges it faces in Liberia seem to be far from what would be accepted by the local and international community. It seems that the company, instead of working together with local communities and implementing high international environmental and social standards, is following the route of other extractive industries in developing countries. Some of these countries haunted by the “resource curse,” such as Nigeria where decades of oil exploration have resulted in environmental degradation and abuses of human rights, have yet to see the benefits of their mineral resources. The promises of development and an end to poverty have never materialised. Liberians should be aware of ArcelorMittal’s performance in other countries and closely follow the company’s activities at home.

ArcelorMittal needs to do more to demonstrate that it actually means well for the people of Liberia. The company can demonstrate this, for example, by changing its employment policies to provide better and secure jobs for those working on different aspects of the company’s project.



Nimba mine: rusting equipment of the Liberian American Swedish Mining Company (LAMCO) – former owner of the mine.

ArcelorMittal strategic investor in outdated nuclear power plant in Romania

8



Photo by CEE Bankwatch Network

In December 2008 ArcelorMittal officially joined a group of six strategic investors in the Cernavoda 3 and 4 nuclear power plant in Romania. ArcelorMittal Galati, the Romanian subsidiary of ArcelorMittal, took a 6.2% share in the project preparation company (PCO) EnergoNuclear together with the Spanish utility Iberdrola (6.2%), Italian ENEL, Czech CEZ, French/Belgian GdF Suez / Electrabel, German RWE (all 9.15%) and Romanian state utility Nuclearelectrica (51%)¹.

The Cernavoda 3 and 4 project was started under communist dictator Nicolae Ceausescu in the mid-1980s. After the 1990 revolution, only the first of the originally planned five blocks was finished with long delays. Construction of the second block was restarted at the end of the 1990s. Romania is now seeking to restart the construction of blocks 3 and 4. Block 5 will not be restarted as the Danube cannot deliver sufficient cooling water for five reactors.

The project features Canadian designed CANDU 6 reactors, a reactor type that runs on unenriched uranium and uses heavy water as a moderator. This reactor type has a so-called 'positive void factor', which means that during an emergency shutdown with loss of cooling water, it would show an uncontrollable peak in capacity. This second generation reactor of a 1970s design furthermore lacks modern safeguards against possible terrorist attack like a sufficiently strong secondary containment that could withstand the impact of passenger



The second reactor at Cernavoda nuclear power plant close to completion in 2007, and now in operation. The other three reactor buildings are degrading.

Photo by CEE Bankwatch Network

¹ http://www.world-nuclear-news.org/C-Company_established_for_new_Romanian_reactors-0304094.html



ArcelorMittal strategic investor in outdated nuclear power plant in Romania

STEEL PRODUCTION

AIR POLLUTION

aircraft. For these reasons, since 2006 these reactors are no longer permitted to be built in the province of Ontario in Canada itself, nor in countries like the USA, Germany or France. Significantly, Cernavoda is situated in a seismically active area.

One of the major drawbacks of the CANDU 6 design is its high emissions of tritium, a radioactive form of hydrogen. Independent scientist Dr. Ian Fairlie wrote in his 31 October 2007 report on the Cernavoda nuclear power station that, among others, *“Recommendations are made to relocate pregnant women and mothers with very young children, and to advise local residents not to consume produce grown in local gardens.”*²

The project is to be financed by the project partners, who will receive the electricity according to the percentage of their participation. As the Romanian majority partner Nuclearelectrica has problems in organising the financing of its 51% share, the Romanian government has opted for several forms of financial government support that, according to Greenpeace, are in breach of EU state aid rules .

ArcelorMittal's participation in this project is crucial, because of the weak financial position of the majority partner Nuclearelectrica.

In its Energy Policy, ArcelorMittal commits itself to the following: *“Technology – by investing in innovative, energy efficient technologies that are both environmentally and economically effective.”*

The second generation CANDU 6 reactors that are to be built in Cernavoda are neither innovative, efficient, nor environmentally or economically effective.



Photo by CEE Bankwatch Network



Photo by CEE Bankwatch Network



Photo by CEE Bankwatch Network

² Ian Fairlie, Cernavoda 3 and 4: Environment Impact Analysis: Report for Greenpeace, Bucharest (2007) Greenpeace.
<http://www.greenpeace.ro/uploads/articole/Cernavoda%20Report%20for%20GP%20Central%20Europe.pdf>

³ <http://www.greenpeace.org/eu-unit/press-centre/press-releases2/files-illegal-state-aid-090225>

⁴ <http://www.arcelormittal.com/rls/data/upl/720-0-3-EnergyPolicy.pdf>



EMISSIONS

CONCLUSIONS

HEALTH RISKS

ARCELORMITTAL

GLOBAL

Conclusions and recommendations

9

The events of the past year show that despite its claims that its commitment to communities and the environment is strong at the global level, ArcelorMittal has made too few changes in its practices to really convince stakeholders that it is willing to take decisive and consistent action to reduce its environmental and social impacts.

Pollution continues to be a serious problem at many of its sites and 35 miners lost their lives in accidents in ArcelorMittal's Kazakh mines in two separate incidents during 2008. Where ArcelorMittal says it has already made environmental and health and safety investments, it is not always visible to the local communities what has changed. Real improvements in environmental and health and safety practices have yet to filter through to the various ArcelorMittal companies in different countries. Investments in pollution prevention and health and safety need to include those that are most needed for environmental improvement and not only for increasing production. The company needs to ensure that its subsidiaries make real, tangible improvements for communities on the ground and move away from tokenism in dealing with community concerns.

If the company is serious about being a better neighbour it needs to consult with communities about what it is doing and release information about its investments and their results. The community's concerns and well-being has not been properly addressed in many countries. The Stakeholder Engagement Plan in Kazakhstan was the first systematic attempt that we are familiar with to outline this process and the company's failure to implement it is therefore a great disappointment.

ArcelorMittal has put into place CSR infrastructure such as appointed staff and corporate responsibility reporting, but it needs to take more concrete steps to show that is acting in good faith to achieve results. It is unlikely that local people will be impressed with the investments made if there is no overall reduction in the pollution, for example if the company makes investments into better technology but then increases production so that pollution is at the same level as before, as in the case of Ostrava in Czech Republic. A reduction in pollution per tonne of steel will not help ArcelorMittal's neighbours' lungs if more tonnes of steel are made.

In its new investments such as in Liberia, the company should ensure that it produces the jobs it has promised instead of hiring subcontractors and employing local people on a short-term basis. In addition, ArcelorMittal has yet to come up with a plan for the protection of the East Nimba Nature Reserve.

ArcelorMittal should also take its responsibilities concerning transparency more seriously. For example in Liberia, by providing gifts to the state authorities in an untransparent way, the company seems to be neglecting the fact that Liberia receives low scores in most international governance and anti-corruption indicators. Widespread public anger at the governing elite, in particular for the mismanagement of the country's natural resources, was one of the original causes of the civil war. Such resentment may possibly surface again.

The economic crisis has of course brought challenges to ArcelorMittal, yet it also offers opportunities for increasing the efficiency of plants and implementing pollution reduction and control investments.

It is not only in the area of pollution control that ArcelorMittal faces challenges on how to balance profits and ethics. Its expansion plans in India involve the resettlement of tribal people whose lives are inherently connected to their land. The notion of creating jobs and livelihoods in these greenfield projects will not make up for the loss of thousands of traditional livelihood options for many of the tribal communities in India, who currently live in harmony with the environment and nature.

ArcelorMittal's involvement in the risky Cernavoda 3 and 4 nuclear reactor project in Romania involving outdated CANDU-6 technology presents real moral issues for the highest levels of the company, where the interests of local people may not be able to be reconciled with the short-term interests of the company. ArcelorMittal's reaction to these issues will be a litmus test of the company's ability to balance profits with ethics.

Recommendations to ArcelorMittal's management and shareholders

Overall recommendations

ArcelorMittal's management must:

Ensure that environmental and health and safety investments are not delayed during the economic crisis period but that the time is used wisely to improve the company's environmental and social performance.

Ensure that environmental investments result in absolute reductions in emissions, not only in emissions per tonne of steel.

Respect the will of the people who are opposed to ArcelorMittal's mega-projects displacing them from their lands in India.

Ensure transparent and fair deals with governments, especially in developing countries in Africa and Asia.

Ensure proper compensation for communities targeted for displacement and relocation in Liberia and consultation on the planned resettlement.

Ensure that there are no double standards for steel mills operating in developed and developing countries.

Review its involvement in the Cernavoda 3 + 4 project

ArcelorMittal must not use corporate social responsibility to undermine the legitimate requirements for it to reduce its impact. CSR cannot replace the legal requirements for the company to reduce its pollution. Where such laws do not exist ArcelorMittal should encourage the development and implementation of such legislation.

Transparency and public participation

ArcelorMittal's management must:

Release all Environmental Action Plans and the South African Environmental Master Plan. Where confidentiality is necessary for some parts, explain clearly which sections are being withheld or edited and why they are confidential.

Release implementation reports on Environmental Action Plans.

Release the Environmental Impact Assessment for its operations in Liberia – especially for the East Nimba Nature Reserve (part of the World Heritage Site), the location of the company's iron ore mine.

Publish data on health and safety issues from the plants and mines – on the number and type of incidents per year and per 1000 workers per year for at least the last ten years.

Disclose Health and Safety Action Plans including intended investments and timelines.

Disclose implementation reports on Health and Safety Action Plans.

Ensure that the Stakeholder Engagement Plan in Kazakhstan gets implemented and that genuine, transparent SEPs are developed for other plants.

Publish, where the release of pollution emissions information is not yet regularly undertaken, data on air and water emissions and hazardous waste generation covering all relevant harmful substances for at least the last ten years, where available.

Ensure that local people are consulted about community donations and investments to ensure that the donations are as useful as possible.

Release Detailed Project Reports and Rehabilitation and Resettlement Plans in cases of greenfield projects.

Release the agreements for the sale of the plants to ArcelorMittal, or at the very least the parts outlining any environmental commitments to be undertaken as well as parts outlining any economic incentives such as tax exemptions being granted to the company.

Release any agreements or draft agreements between the company and local or national authorities giving permission for delays or cuts in investments regarding the environment or health and safety.

Recommendations to the International Financial Institutions

No more low-interest public loans should be extended to ArcelorMittal.

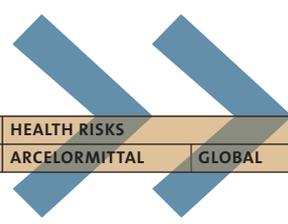
The European Bank for Reconstruction and Development must ensure that its environmental loans result in significant absolute reductions in pollution not only reductions per tonne of steel produced.

Monitoring and evaluation reports must be made public, particularly to project affected people.

Recommendations to local and national authorities in locations where ArcelorMittal is operating

ArcelorMittal should not be given any tax or environmental exemptions.

ArcelorMittal's status as a major employer in some areas does not mean that it should be treated leniently with regards to pollution, health and safety and labour issues. Where ArcelorMittal's operations do not comply with the



EMISSIONS

HEALTH RISKS

CONCLUSIONS

ARCELORMITTAL

GLOBAL

law, the company should be sanctioned as any other company.

ArcelorMittal should not be allowed to weaken proposed environmental standards, particularly in countries where environmental governance is now becoming critical, such as in the global South and eastern Europe.

ArcelorMittal should not be allowed to displace poor and indigenous communities when their livelihood depends on the very land where the company plans to develop its operations unless a free, prior and informed consent of local communities has been fully implemented. Free, prior and informed consent means that an equal and respectful relationship with local communities (included women) is entered into. It starts with respecting the rights of local communities to their lands and resources. 'Free' means that nobody should be forced or manipulated. 'Prior' stands for consultation in advance of planned activities. 'Informed' means that planned activities are fully disclosed in accessible and understandable forms. 'Consent' means approval of planned activities by the community.



This Report is part of the "Extractive Industries: Blessing or Curse?" project implemented by Friends of the Earth Europe, Friends of the Earth France, Friends of the Earth Netherlands and CEE Bankwatch Network. Please see various websites below for more Reports and Fact Sheets in this series.

	STEEL PRODUCTION	EMISSIONS	HEALTH RISKS
AIR POLLUTION		GLOBAL	ARCELORMITTAL



Global Action on ArcelorMittal
www.globalaction-arcelormittal.org



CEE Bankwatch Network
www.bankwatch.org



Eko Forum Zenica



Eko Pokret Omarska,
 Bosnia and Herzegovina
www.eko-omarska.org



Friends of the Earth Europe
www.foeeurope.org



Global Alliance for Responsibility, Democracy and Equity
 GARDE programme of the Environmental Law Service,
 Czech Republic
www.responsibility.cz



groundWork, Friends of the Earth,
 South Africa
www.groundwork.org.za



groundWork, USA
www.groundwork-usa.org



Karaganda Ecological Museum,
 Kazakhstan
www.ecomuseum.kz



Sustainable Development Institute,
 Liberia
www.sdiliberia.org



Vaal Environmental Justice Alliance