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Director  
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19 November 2009

Dear Mr Casoni, Mr Nychas and Mr Carro Castrillo,

**Re: proposed EIB loan for ArcelorMittal Brazil**

Less than a month after approving a EUR 250 million loan for ArcelorMittal's EU operations, the EIB is now considering a EUR 130 million loan for the world's largest steel company, this time for the company's business activities in Brazil.

**Considering its size and resources, we believe that ArcelorMittal could access financing from other sources, and that there is no added value in providing a low-interest public loan to this company.**

We are also concerned about the company's environmental, social and transparency record, including within the framework of projects financed by the European Bank for Reconstruction and Development. The EBRD projects - e.g. in Kazakhstan and Ukraine - have aimed at environmental improvements, which have not sufficiently materialised, and we believe that there is cause for concern that the situation could be similar in Brazil.

**We therefore urge the EC to issue a negative opinion for this loan to ArcelorMittal in Brazil.**

It is hard to believe that the largest steel company in the world could not access commercial loans. It is also hard to believe that the company could not finance these undertakings from its own resources. We would like to ask the EC to enquire of the EIB what it has done to ascertain whether financing could be provided from other sources.

It is also frustrating that the company has not used its own considerable wealth for environmental and health and safety investments. In 2007 the company made EUR 7.6 billion profit and in 2008 EUR 19 billion.<sup>1</sup> Mr Lakshmi Mittal, the company's CEO and largest shareholder, was estimated to have personal wealth of USD 45 billion in 2008, and even after making considerable losses during the financial crisis, was still estimated to have USD

<sup>1</sup> ArcelorMittal annual report 2008, p.148

19.3 billion in March 2009<sup>2</sup>. It is therefore unclear why the company cannot find resources for this project, and has also put many of its other environmental investments on hold.


Concerning the company's environmental, social and transparency record, a few examples of its poor behaviour can be found in the Annex to this letter. We understand that improvements take time, however by now we would expect to see visible improvements. In the absence of these, the easiest way to prove whether ArcelorMittal is really making the improvements it claims would be to examine what environmental and health and safety investments are planned, and which have been made so far, and what pollution reductions have been made. Yet the company has in many cases failed to release even this information.

During the last year ArcelorMittal has scaled down many of its environmental investment plans, supposedly due to the financial crisis. Civil society groups have urged the company to use this time to step up low-cost measures and to undertake those activities that cost very little but would improve its transparency, such as implementing Stakeholder Engagement Plans and releasing detailed data on its environmental performance and investments. **In 2008, as part of an EBRD-financed project for mine safety improvements, ArcelorMittal drafted a Stakeholder Engagement Plan in Kazakhstan, but then failed to implement it. In 2009 it finally approved the Plan, but with most of the deadlines for information disclosure removed, showing a lack of good will.**

Considering the company's size, resources, and poor environmental, social and transparency record, of which the information given above and below is only a small snapshot, we again urge the EC to issue a negative opinion on ArcelorMittal's application for a loan.

If you would like any more information, please do not hesitate to contact us.

Yours sincerely,



Ms Pippa Gallop

Research Co-ordinator  
CEE Bankwatch Network  
On behalf of the Global Action on ArcelorMittal Coalition

<sup>2</sup> [http://www.forbes.com/lists/2009/10/billionaires-2009-richest-people\\_Lakshmi-Mittal\\_R0YG.html](http://www.forbes.com/lists/2009/10/billionaires-2009-richest-people_Lakshmi-Mittal_R0YG.html)

## **ANNEX 1: ArcelorMittal's poor environmental, social and transparency record**

ArcelorMittal is rapidly gaining a reputation as a highly polluting company in countries such as the Czech Republic, Kazakhstan, South Africa, and the USA.

Health and safety problems at ArcelorMittal's Kazakh mines hit the headlines after 41 miners died in the ArcelorMittal-owned Lenin coalmines in September 2006, and workers went on strike demanding pay raises and improved safety. In January 2008, another incident at Mittal's Kazakh mines resulted in 30 more deaths, with another 5 in June 2008, and 3 in June 2009. The company has declared health and safety improvements to be its no. 1 priority and is undertaking an EBRD-financed project for improvements, yet it has so far failed to release information about what investments have been made, while workers have alleged that it has done little to improve labour and safety conditions since the takeover.

In February 2008, Kazakhstan's Ministry of Emergencies warned the company that if the situation does not improve, its mining license might be revoked. This was followed by a warning by the General Prosecutor's Office on 3 April 2008 that at eight Mittal coalmines in Kazakhstan, 70 percent of equipment is below industrial safety standards, and that the company risks having its mining activities terminated if it does not do more to improve its safety standards.

In South Africa, communities are fighting against ArcelorMittal's pollution as well as its intimidation against families who have refused to sell their land for the company's expansion plans. The South African government has begun a criminal investigation into the company's malpractice at its Vereeniging plant for continuous dumping of hazardous waste at an unauthorised site, despite repeated instructions to stop. A July 2007 investigation detailed environmental and legal contraventions, and significant pollution of surface and groundwater with phenols, iron, oil, fluoride and other hazardous substances.

ArcelorMittal's violation of environmental norms is not limited to developing countries. In the Ohio steel plant, which Mittal Steel took over in 2005, local communities are outraged over the high levels of pollution and related health problems. Since the takeover, the pollution record of the Ohio plant has deteriorated, with the exception of the idle periods since November 2008. ArcelorMittal's record of addressing public grievances has also been very poor. In the US the company has continuously denied Ohio communities' demands to engage with them despite residents sending 37,808 handwritten letters and petitions.

In Ostrava in the Czech Republic, the situation is very similar to that in Ohio. The high level of air pollution near the ArcelorMittal steel mill has long been criticized by local residents, but there have been few improvements. In late 2007 and early 2008, a petition against the irresponsible behaviour of ArcelorMittal and the state authorities was organized and several citizens launched a lawsuit against ArcelorMittal because of the continuous threat to their health. At the same time, legal actions demanding a review of the operation permits issued were submitted to the competent authorities.

ArcelorMittal has also been playing a destructive role regarding climate change. In the EU, its CO<sub>2</sub> emissions increased by 15.49 percent from 2006-2007, rather than decreasing. Its steel-making operations emitted some 240 million tonnes of CO<sub>2</sub> in 2007, more than Romania and Bulgaria's CO<sub>2</sub> emissions combined (223 million tonnes in 2008 owing to production cuts). Yet at the same time it is the biggest beneficiary of the EU Emission Trading Scheme (ETS) and received on average 30% more permits than it needed through

lobbying at the EU and national levels. ArcelorMittal's surplus allowances for 2005-2008 could have generated windfall profits in excess of €1.3 billion if sold. ArcelorMittal has also demanded public funding for CO2 emissions permits as a condition for the re-opening of its blast furnace in Liege, Belgium, and the continuation of work of its blast furnace in Florange, France.

Unjustified income of a different kind also came to light in December 2008 when it was reported 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.