

19 October 2009

Dear President Maystadt,
Dear Directors of the EIB,

Re: planned EIB loan for ArcelorMittal

We have recently discovered that the EIB is considering a loan for steel company ArcelorMittal and that this will be discussed by the Board of Directors this Wednesday, 21st October.

ArcelorMittal has an extremely poor environmental, social and transparency record in many countries, including during projects financed by international financial institutions. As the world's largest steel company we also believe that ArcelorMittal could access financing from other sources, and that there is no added value in providing a low-interest public loan to the company. We therefore urge the EIB not to approve any loan to ArcelorMittal in the foreseeable future.

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. While the company and its predecessors have bought up old steelmills and made them profitable, the price of its success has been paid by the communities suffering from its pollution.

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 another 30 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 yet it has so far failed to release exact information about what investments have been made, while workers have alleged that ArcelorMittal 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 for the Abaiskaya mine 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. While ArcelorMittal was negotiating a deal with the Orissa government in India with a promise of environmental and social compliance, the South African government began 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.

Mittal'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 poor. In the US the company has continuously denied Ohio communities' demands to engage with the public despite them sending 37,808 personal, handwritten letters and petitions.

In Ostrava in the Czech Republic, the situation is very similar to the problems in Ohio. The high level of air pollution near the ArcelorMittal steel mill been criticized by local residents for a long time. 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.

In Orissa and Jharkhand, India, the effects of ArcelorMittal's activities have yet to be felt, as the company has not yet acquired the tribal land it requires for its two mega-steel mills together with captive mines and power plants. The company claims it will implement a high quality rehabilitation and resettlement programme, however the rehabilitation of indigenous communities is a myth, as people with unique culture and traditions cannot be uprooted and settled somewhere else, away from their lands, water and forests. In general, resettlement experience from across India with other large projects carried out by different investors does not bode well.

In several countries ArcelorMittal 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.

One of the easiest ways to prove either way 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 the information disclosure removed, thus showing a distasteful lack of good will.

ArcelorMittal has also been playing a destructive role regarding climate change. In the EU, its CO2 emissions increased by 15.49 percent from 2006-2007, rather than decreasing. Its steel-making operations emitted some 240 million tonnes of CO2 in 2007, more than Romania and Bulgaria's CO2 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.

Lack of added value from public financing

According to Art. 267 of the EU Treaty, the EIB should finance the following:

- a) *Projects for developing less-developed regions*
- b) *Projects for modernising or converting undertakings or for developing fresh activities called for by the progressive establishment of the common markets, where these projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States*
- c) *Projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.*

It is hard to believe that the largest steel company in the world could not access commercial loans, even in difficult times such as these. It is also difficult to believe that the company could not finance these undertakings from its own resources. We would like to ask what the EIB has done to examine whether the company could obtain financing from other sources? How is the bank examining if other funds are available on reasonable terms? What does "reasonable terms" mean in the case of this project?

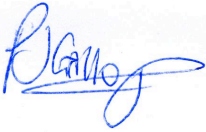
It is frustrating that the company did not use its considerable wealth for environmental and

health and safety investments while times were easier. In 2007 the company made EUR 7.6 billion profit and in 2008 EUR 19 billion.¹ 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 19.3 billion in March 2009². Considering also the unjustified income from its Emissions Trading Scheme gains described above, it is unclear why the company is now being considered for a low-interest public loan from the European Investment Bank.

We therefore urge the EIB to reject 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

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On behalf of the Global Action on ArcelorMittal Coalition

¹ ArcelorMittal annual report 2008, p.148

² http://www.forbes.com/lists/2009/10/billionaires-2009-richest-people_Lakshmi-Mittal_R0YG.html