

The CEE Bankwatch Networks Mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation

## MITTAL STEEL TEMIRTAU – NO MORE MILLIONS DOWN THE DRAIN

In 1997 the EBRD and IFC approved a syndicated USD 250 million loan for MST (Ispat-Karmet Steel Works or MST), a metal and mining complex in Temirtau, in the Karaganda region of central Kazakhstan. The main objectives of the project were to restore productive capacity and improve efficiency in the steel mill and coal mines, and to implement three environmental action plans that would improve environmental and health and safety impacts and bring the company into compliance with World Bank environmental guidelines.

The project was declared to be successfully implemented by the EBRD at the end of 2006. In February 2007, Golder Associates-Europe visited Karaganda and Termitau to conduct an environmental audit of the company. Soon after in March, the EBRD announced that safety and health issues require further improvements and that the bank would consider another loan amounting to 100 million USD loan to bring health and safety practices to Mittal's coal mines in Karaganda in line with international best practice. The Mittal Steel Temirtau Health & Safety Project was pending Board approval in May, though now the date has been postponed until June.

The question to be asked is how serious Mittal was about the Environmental Action Plans designed for the company to manage the improvements of its environmental performance and health & safety impacts during the first loan – a loan that the citizens of Termitau and Karaganda were never consulted on and the contents of which they have never seen. Did the Environmental Action Plans set too low standards for the company to fulfill or did Mittal fail to implement the plans to the required extent?

### Information vacuum

In contrast to both Mittal's and EBRD's declarations that the company's environmental impacts have been improved, the citizens of Termitau are convinced that the environmental situation in the city has not undergone any change. The public's lack of trust in the company is reinforced by the secrecy with which Mittal guards its emissions records (for atmosphere, water and soils). MST neither releases emission reports regularly nor upon request, and both the Karaganda Regional Statistical Department and the Karaganda Regional Department on Environmental Protection refuse to release these reports.

Testimonies from MST workers have indicated alarmingly that the company staff has an interest in hiding the real data on emissions because they are held responsible for the environmental violations and fines are imposed on them by the management<sup>1</sup>.

MST remains one of the largest polluters in the country, emitting 95 percent of the city's total harmful pollutants into the atmosphere. Termitau belongs in the top ten most polluted towns in Kazakhstan<sup>2</sup>.

According to the EBRD's Project Summary Document, a Public Information Plan was developed within the old project framework to inform the public about project developments<sup>3</sup>. However, the affected communities have had both limited access to the project's environmental information as well as opportunities to participate in the project after the completion of its due diligence. The company has ignored all requests for project related environmental information from local communities and civil society groups. Among other documents, MST has not pro-actively disclosed the annual monitoring reports being backed by the local state governing organisations which have declined to release any project specific information, referring to the protection of business confidentiality

Civil society groups have contacted the EBRD to request the disclosure of a variety of environmental information related to the project, including the environmental audit. The EBRD has so far not responded to the request.

### Work and safety conditions

MTS is infamous for the accidents that have taken place at its mines. In 2004 a methane explosion at the Shakhtinsk mine killed 23 miners; 41 people died at the Lenin mine in September 2006. The latter accident caused social tensions in the region – many MST workers protested against the company's policy demanding improved work conditions and increased salaries.

<sup>1</sup> Records from the field meeting of "Aimak" deputy group of the Parliament Mazhilis of the Republic of Kazakhstan in Temirtau, February 26, 2006

<sup>2</sup> <http://www.kazpravda.kz>

<sup>3</sup> PSD <http://www.ebrd.com/projects/psd/psd1997/3324.htm>

The fact that MST has seriously failed to ensure safe and healthy working conditions for its workers, particularly the miners, resulted in a visit of national deputies to Temirtau in February 2006. A report from the prosecutor of the city of Temirtau published on the same occasion notes that MST “has repeatedly violated national environmental and work and safety legislation”, and that “the company does not provide safe working conditions for its employees and forces them to work on their free days justifying the pressure by non-completion of the work plan”.

MST employees raised the issues of working conditions and low pay at that meeting with deputies, including such problems with outdated equipment at the plant and coal mines, the absence of drinking water in hot workshops, increased amounts of work, and many others<sup>4</sup>. As a result of cuts in the number of workers at the steel works and mining department, work in mining and steel operations for each individual worker increased two times over, while pay rates remained the same.

Additionally, the head of the Karaganda region trade unions federation has provided official data on professional illnesses which states that the level has decreased tenfold in the past ten years. However, the reason for this is not improved work conditions but rather the concealment of facts related to professional diseases and the absence of specialists who can make conclusions as to whether illnesses were caused by difficult working conditions. There are cases when workers have had to take their cases to trial and where the trials took years to prove that compensation should be paid by the company<sup>5</sup>.

The new project proposes various equipment upgrading measures such as “gas monitoring and management systems, degassing and ventilation equipment upgrades, upgrades of electrical equipment and prevention of coal face collapses and roof falls”<sup>6</sup>. However, experience elsewhere has shown that modern equipment alone does not guarantee safety for miners.

In this context it is worth noting that only 30 percent of miners’ salaries is guaranteed at the MST coal mines. The remaining portion of the salary is dependant on bonuses that are derived from the amount of the extracted coal. The miners are thus financially motivated to maintain their productivity regardless of safety conditions.<sup>7</sup>

## **Recommendations**

The Mittal story in Kazakhstan aptly illustrates the need for EBRD and its clients to disclose environmental information throughout the project, acquaint affected communities with the environmental action plans and involve the public in project monitoring.

Given the past experience, the EBRD should not further support a company that has failed to meet the requirements of the previous loan, severely pollutes the environment and violates the rights of its employees.

### **For more information**

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<sup>4</sup> Records from the field meeting of “Aimak” deputy group of the Parliament Mazhilis of the Republic of Kazakhstan in Temirtau, February 26, 2006

<sup>5</sup> Report of the Head of Karaganda region trade unions federation A.Madiyarova at the field meeting of “Aimak” deputy group of the Parliament Mazhilis of the Republic of Kazakhstan in Temirtau, February 26, 2006 (records from the meeting)

<sup>6</sup> <http://www.ebrd.com/projects/psd/psd2007/37546.htm>

<sup>7</sup> The accident at the Uljanovskaya mine in Russia during which 108 miners were killed by methan explosion when switching off the gas monitoring equipment in order to extract more coal shows that safety in mines cannot be resolved as long as the miners’ salaries are directly dependant on the amount of extracted coal.