

# EBRD support for ArcelorMittal Temirtau is failing to stem pollution and accidents



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## Background

In 2007 the EBRD approved a USD 100 million loan for ArcelorMittal Temirtau (AMT), a metal and mining complex in the Karaganda region of Central Kazakhstan in order to “support further improvements to Mittal Steel Temirtau’s health and safety practices at its coal mines in Karaganda with the aim to bring them in line with international best practice”.

Mittal’s plant in Temirtau has received several direct and indirect loans from the EBRD and IFC during the last 12 years. The EBRD’s 2007 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.

## Pollution

AMT is one of the largest integrated steel plants in the world and the company also operates eight coal mines in the region, producing a total of 12 202 million tonnes of coal in 2007. One of the objectives of the EBRD’s and IFC’s 1997 syndicated loan, which required an Environmental Audit and Environmental Impact Assessment, was to improve the environmental and health and safety performance of Mittal and bring the company into compliance with World Bank environmental guidelines. Three Environmental Action Plans (EAPs) were developed to achieve the goal within the framework of the loan.

The EBRD considers that the project has improved the environmental situation in Temirtau, though emissions from AMT’s steel plant increased from 288.2 thousand tonnes in 2006 to 315.17 thousand tonnes in 2007<sup>1</sup>. The Ministry for Environmental Protection of Kazakhstan (MEP) reported in June 2007 that the environmental situation in the city of Temirtau has declined over during the last three years<sup>2</sup>. This casts doubt on the results of the project.

## Health and safety at the coal mines

There have been three major accidents involving methane explosions in the last three years at Mittal’s mines, all located in the Karaganda region:

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<sup>1</sup> Report of the Head of Head of Karaganda State Department for Environmental Protection (KSDEP) B. Smagulov at the public hearings on the environmental situation in Temirtau, March 27, 2008

<sup>2</sup> Report of the KSDEP’s Head B.Smagulov at the work group meeting in the Ministry for Environmental Protection, May 23, 2007, Astana, Kazakhstan (received from KSDEP on June 28, 2007, outgoing mail number No. 03-2-1-4/6588 from 28.06.2007)

Year	Mine	Number of deaths
December 2004	Shakinskaya	23
September 2006	Lenina	41
January 2008	Abaiskaya	30

The frequency of accidents and number of deaths demonstrates very low health and safety performance at AMT's mines, in spite of the fact that the company had apparently successfully implemented an EAP for the coal mines within the first EBRD loan.

The company's owner Lakshmi Mittal and its management repeatedly claim that the company has made huge investments in the modernisation of equipment and the improvement of health and safety condition in the mines. However, workers allege that Mittal has done little to improve labour and safety conditions since first arriving in Kazakhstan, and that the company has purchased only high production coal cutter-loaders.<sup>3</sup>

The Karaganda regional public prosecutor's office reported in April 2008 that the recent investigation it carried out at AMT's coal mines and other operations after the accident at Abaiskaya found that the main reasons for the accidents at the mines and the high injury rate are poor working conditions that do not meet health and safety standards, absence of measures taken to provide safe conditions and very outdated equipment. Against this background, since 1997 the company's managers have doubled coal production. The public prosecutor's report also claimed that almost all of AMT's underground equipment, including the ventilation system, has depreciated in value by over 100 percent at all its mines in the region. At the Kostenko mine, AMT uses lifts dating back to 1948-1965: this is threatening the lives of hundreds of miners. At the Kazakhstanskaya mine, the ventilators for the main ventilation system were replaced by ventilators designed for auxiliary ventilation. Moreover, their operational life has been exceeded. At the Kostenko and Kuzembaeva mines, the main ventilators date back to 1964-1967 and there are no more spare parts produced for them today. At the Shakhtinskaya mine, 8 of 22 pumps in the ventilation system have reached the end of their service life.<sup>4</sup>

At the meeting of the public prosecutor office's board in April 2008 the Head of the Karaganda Regional State Department on Emergencies and Industrial Safety Control, Vladimir Pfaiger, reported cases of replacing old ventilation equipment at mines with outdated equipment removed from closed coal mines. According to Pfaiger, in 2002 at the Saranskaya mine a ventilator dating back to 1971 was taken from another mine where it had been installed and used for 20 years. Pfaiger also reported that: "At the Lenina mine after the accident when 41 miners died the company put a ventilator removed from the Maikudukskaya mine dated 1982"<sup>5</sup>.

Such exceedingly old equipment or lack of it causes a high concentration of methane in the mines, which can lead to fires and explosions. All of the company's coal mines are in a similar situation.

At almost all the coal mines labour legislation is violated as workers are not provided with personal protection equipment. At the Saranskaya mine, the funds assigned for the purchase of personal protection equipment were not used and, at the Shakhtinskaya mine, 35 of 760 self-rescue breathing apparatuses were unusable; in the case of accidents people using them would die.

<sup>3</sup> Interview with Natalia Tomilova, representative of widows of the miners who died at the accident at Lenina coal mine, November 2007, Shakhtinsk

<sup>4</sup> Press-release published by the General Prosecutors Office of the Republic of Kazakhstan on April 3, 2008, <http://www.procuror.kz/?iid=5&type=news&lang=ru&nid=2449>

<sup>5</sup> Tatyana Ten, Karavan newspaper, #18 of May 2, 2008, Karaganda

Moreover officers working at the AMT Coal Department constantly infringe workers' constitutional rights to rest and payment for labour. The management of the Abaiskaya mine was forcing miners who work underground to work on days off without their consent and did not provide extra payment or extra days off.

Engineer A. Chavkin worked for 29 shifts in August 2007 (including 19 days in succession without days off) but was paid only for 21 shifts. At some of the mines, miners were forced to work overtime for more than 20 hours running. N. Besperestov, a miner working for AMT, has had the experience of working 24 hours underground. These are not exceptions – similar cases have emerged at all of ArcelorMittal's coal mines in Kazakhstan.

These violations of workers' rights have led to increased rates of occupational diseases. In recent times, the rate of tuberculosis among the miners has increased by 2 percent, ischemic heart disease by 6.5 percent, and diseases of the upper airways by 7.3 percent. At the same time, preventive examinations of workers are not carried out regularly and first-aid kits are not fitted with medication at the mines.

These violations demonstrate that the management of AMT has still not taken real action to prevent accidents at the coal mines and at other operations, nor has it improved miners' welfare. The inefficient work of state enforcement organisations has also contributed to this situation, as was also acknowledged by the public prosecutors' office. It is not only the outdated equipment that should be changed at the coal mines but also the outmoded wage plus bonus scheme, which forces miners to maintain their productivity regardless of safety conditions. At a meeting in March 2008 with the company's management in Karaganda we were assured that the salary scheme has been changed, but still have not received an answer to our request for any official data confirming this.

After the most recent tragedy the Kazakh government put pressure on the company, demanding safer working conditions at the coal mines. A State Commission investigating the accident at the Abaiskaya mine has concluded that the employer is at fault for the accident and has prepared recommendations to the company to fulfil within certain periods designated for implementation. "The safety measures assumed by the company are only eliminating the consequences of the tragedies that occurred, but do not guarantee that this will not happen again," claimed A. Amanbaev, the Karaganda regional Public Prosecutor Karaganda.

At a government session in Astana on February 19 this year, Emergencies Minister Vladimir Bozhko stated that AMT's economic policy has an adverse effect on safety at the coal mines, forcing workers to violate safety requirements, and thus the company could lose its state licence for subsurface resources use if does not meet the required safety standards.

The company now states that it has started implementing a long-term programme to upgrade working conditions and equipment at its mines and that this year it will spend a total of USD 262.8 million to modernise equipment<sup>7</sup>. Yet, so far we only have promises.

#### Access to information

After many years of silence and ignoring the information needs of local communities and requests from civil society organisations, AMT presented its Stakeholder Engagement Plan to the public in March 2008. The plan aims to improve the company's relationships with all groups of stakeholders, with special attention being paid to the representatives of local communities and NGOs. It is hoped that as a result of this plan AMT will 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 both at the coal mines and other AMT operations.

## Recommendations

Giant companies with high profits such as ArcelorMittal hardly need the support of international taxpayers, and the EBRD should develop tighter criteria for its private sector financing to ensure that companies benefiting are those that really need public financial support.

The EBRD should develop a system of effective feedback to the client and affected people when projects' activities do not correspond to their environmental, health, safety and social requirements - While the comment about the feedback is relevant, it does not name the core of the problem. The failure to deliver planned changes within the lifetime of the project.

The EBRD needs to improve its on site monitoring and disclose information gathered during this process.

The EBRD needs to ensure that its clients release annual monitoring reports. The EBRD should consider increasing its capacity to assess and monitor the social aspects of its projects, particularly by employing a health and safety specialist.

### For more information

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