

From: Dana Sadykova, Karaganda Ecological Museum NGO

To: Fredrik Korfker, EBRD

Date: Wed, 09 Dec 2009 11:37:53 +0300

Subject: Request for EBRD evaluation of Mittal Steel Temirtau Coal Mine Modernisation project

Dear Mr. Korfker,

We are writing to request that in 2010 the European Bank for Reconstruction and Development Evaluation Department undertakes an evaluation of the Mittal Steel Temirtau (ArcelorMittal Temirtau – AMT) Coal Mine Modernisation project.

The loan aimed at improvement of ArcelorMittal Temirtau's health and safety practices at its coal mines in Karaganda and bringing them in line with international best practice was approved in 2007. An Environmental and Social Action plan was developed for this project and, as far as we have been informed, includes measures to reduce atmospheric emissions, modernise the existing water supply and sewage systems, prevent spills and soil or groundwater contamination, introduce energy efficiency measures and improve safety.

The Project Summary document on the EBRD's website says that the mine health and safety programme is being implemented on schedule. However, since the project implementation began there have been three accidents at AMT's Abaiskaya (January 2008) and Tentekskaya (June 2008, June 2009) coal mines, leaving a total of 38 miners dead. The project is therefore of particular interest to local communities, yet as the EBRD and AMT have not provided public access to the project's ESAP and other important environmental and social information local communities and NGOs have no possibilities to monitor the project implementation.

There are also violations of workers rights at the AMT's coal mines. A recent case is that ten miners at the Lenina coal mine who decided to leave the official AMT Coal Department trade union Korgau were forced by the company's management to remain members. They were illegally excluded from the labour agreement and thus deprived of part of their salary and access to the company's facilities, such as shower rooms. Four of ten miners that left the trade union took legal action and filed a case at the Shakhtinsk town court. In November 2009 the court ruled AMT's actions as illegal.

ArcelorMittal has received an extraordinary level of support from the EBRD and IFC. In Kazakhstan alone there have been two projects approved with the aim of bringing the company in line with international best practice. Yet, people in Temirtau and the company's workers continue to suffer from high levels of pollution and unsafe working conditions.

We understand that that the problems at the coal mines could not be solved overnight, but we believe that by now there should have been tangible improvements in the environmental and health and safety performance of the ArcelorMittal Temirtau. There is also a serious lack of information about the project plans and implementation. Despite the Stakeholder Engagement Plan has now been approved in Kazakhstan (although not by the EBRD), it does not include time-bound commitments for information disclosure. The information provided by the company is

patchy and uncomparable (for example pollution data for only a few substances, not showing progression over time in comparison to production levels).

Our experience suggests that the EBRD's loans to AMT have failed to show successful transition impact and demonstration effects. One of the objectives of the EBRD's and IFC's syndicated loan of 1997, which required an Environmental Audit and Environmental Impact Assessment, was to improve the environmental and health and safety performance of ArcelorMittal Temirtau 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. Yet, the environmental situation in Temirtau had been worsening until the financial crisis led to a reduction of steel production and thus reduced pollution in the city. EAPs for the coal mines within this loan did not bring successful results either. 104 miners died in accidents at the mines in a period of 6 years (2004–2009). The company was threatened by the Kazakh Government that it could lose its state licence for subsurface resources use, since AMT's economic policy has an adverse effect on safety at the coal mines, forcing workers to violate safety requirements.

It is unclear how the EBRD's involvement has added additional value to the company's environmental and health and safety performance compared with what privately financed projects would have provided.

Given the global financial crisis reducing companies' access to private financing, we are concerned that the EBRD may be asked to provide further loans to ArcelorMittal and other controversial and heavily polluting companies. It is therefore essential that all relevant lessons are learnt from the EBRD's experiences with ArcelorMittal in order to increase the robustness of the EBRD's criteria for assessing whether it is able to add real value in projects undertaken by such companies.

We believe that the EBRD should allocate its resources to carry out an evaluation of the AMT project and make sure that the external stakeholders such as local communities, activists and NGOs are consulted during the evaluation. It is also important for the EBRD to build trust among citizens of Kazakhstan by making the full evaluation report public.

We hope that you will include ArcelorMittal Temirtau when recommending operations to be evaluated in 2010 for voting by the Board.

Yours sincerely,

Dana Sadykova

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