

# ArcelorMittal Temirtau – a never ending story



CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

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## Background

For three years already ArcelorMittal Temirtau (AMT), financed by the European Bank for Reconstruction and Development (EBRD), has been implementing the USD 100 million Mittal Steel Temirtau – Coal Mine Modernisation project that was approved by the bank in 2007.

Since the project was approved there has been a dramatic change of economic situation in Kazakhstan. The same company that was seriously criticised by the Kazakh government for poor health and safety practices and frequent accidents at its coal mines involving the deaths of tens of workers has become a key actor in the game that the government has been playing with investors while trying to save jobs. In October 2008 the Government of Kazakhstan signed a memorandum of understanding with AMT to prevent thousands of workers from being dismissed, granting at the same time delays in environmental obligations, as well as providing reduced social tax and state subsidies such as lower prices for energy and railway rates, and guaranteed state purchase of steel.

## Environment and Health & Safety

Since the methane explosion at the AMT-owned Abaiskaya coal mine in 2008, two more accidents at the coal mines resulting in the deaths of eight workers have occurred. The company reports that huge investments have been made into health and safety at the coal mines, both with EBRD money and its own funds. Yet AMT has released no information on what particular investments they are undertaking in the coal mines and the timelines for the modernisation works, nor has it disclosed information on the implementation and impacts of the investments.

Neither AMT nor the EBRD have agreed to disclose the Environmental Action Plan (EAP) developed as part of the project and thus have not provided opportunities for the public to monitor its implementation. The Project Summary Document on the EBRD's website states: "The EAP 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".

There are significant delays in the implementation of the EAP. The EBRD stated that the EAP actions postponed by the company due to the difficult economic situation would be implemented in 2009. Nevertheless most of them have not been implemented, such as the refurbishment of tailing ponds and ash lagoons and the emission control measures.

## Stakeholder Engagement Plan

### First attempt

As part of its obligations within the EBRD project, AMT presented a draft Stakeholder Engagement Plan (SEP) in March 2008. This document was aimed at establishing mechanisms for liaising with affected people and workers, introducing a grievance mechanism and committed the company to disclosure of project-specific information. Despite detailed timelines set out in this draft SEP, the company has not fulfilled its commitments on information disclosure. The draft has never been approved.

### Second attempt

In mid-2009 AMT made a second attempt to develop a SEP. On July 31, 2009, the company approved a document that mostly repeated the draft SEP presented in March 2008. The only considerable change in the plan was the removal of all deadlines for information disclosure. There was no opportunity for the public to comment on this plan: it was not posted on the company's website nor made public in any other way.<sup>1</sup> The EBRD was not informed about this SEP and it is unlikely that many stakeholders even knew the plan existed. The company has never commented on what happened to this plan.

### Third attempt

On January 19, 2010, AMT approved a new – and third – SEP. Again there were no consultations organised on the draft document. The only thing AMT did was to put a link to send comments on its website, but after the approval. Considering that most of its stakeholders do not have access to the internet, this cannot be considered as an adequate measure. In addition the company did not even respond to the comments that were sent.

The company did not undertake clear or specific commitments to release environmental and health and safety information in the SEP. AMT promised to release “environmental information” and “health and safety data”, but did not specify what kind of information and did not set deadlines – the company only promised to do it “continuously”. Taking into account previous experience with requests for information from the company, as well as the phrasing in the new SEP that says “We will search for answers to all REASONABLE requests”<sup>2</sup>, there should be serious

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<sup>1</sup> A copy of the SEP approved in July, 2009 was provided during a meeting in September, 2009, organised upon request

<sup>2</sup> <http://www.arcelormittal.kz/socialnaya/vzaimodejstvie/>

concerns about how the process of information disclosure will be organised and which information will be considered reasonable.

After a number of complaints from NGOs the company organised a public consultation process and promised that comments will be taken into account and incorporated into the SEP. AMT has also posted on their website an annex to the SEP with timelines for information they will release, but the commitments for information disclosure do not contain anything on environmental or health and safety data and include mostly the reports on the work of its Corporate Social Responsibility department: “specification of the current department’s work condition and realization of given objectives and projects”, “Taken actions for decreasing possible negative social consequences related with projects realization”, “Positive achievements, examples in department activity”, etc.

It is unknown when this annex was published and if the stakeholders know about its existence. At the time of discussions on problems with the new SEP with the EBRD and ArcelorMittal this annex was not released. Moreover, this new information was not announced at the meeting with the stakeholders organised by the company in April 2010. Again, even with this annex, it is unknown if AMT does commit to release environmental information and, if so, what particular information will be made available to the public.

## Workers

In the last year there have been a number of legal actions against AMT. There have been suits from both the trade unions and workers. In August 2009 ten workers from the Lenin coal mine decided to leave the “Korgau” coal mine workers’ trade union, which is highly influenced by the company. Immediately after that their salaries were cut. Only four of them took this further and protected their rights in court, ultimately winning the case in November 2009.<sup>3</sup>

On February 11, 2010 the “Zhaktau” steel workers’ trade union took legal action in order to challenge AMT’s decision to unreasonably increase the plan for liquid steel production two times in three days at the end of December 2009. This led to the situation that the steel plant could not fulfill the annual plan and thus the workers did not receive the yearly bonuses equivalent to the monthly salary (the so-called 13th salary).<sup>4</sup> In April 2010 the trade union withdrew its claim since it came to an agreement with AMT that the company would pay compensation to the workers for the lost 13th salary.

At a meeting with stakeholders organised by the company on April 15 this year, in Temirtau some workers complained that working conditions are still far from being safe at some coal mines, that the company is hiding injuries at the workplace to avoid payments and that the burden on workers has increased, because the company is continuously decreasing the number of workers. There was

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<sup>3</sup> Novyi Vestnik newspaper, November 11, 2009; <http://www.nv.kz/2009/11/11/15845/>

<sup>4</sup> <http://www.temirtau.org/society/3449-vopros-o-vyplate-trinadcatyjj-zarplaty.html>

also a statement from civil society activists that the salary system based on the fulfillment of targets has not been annulled in AMT and that too great a part of workers' salaries is still dependent on bonuses.

## Recommendations

It is particularly important that the EBRD monitors implementation of the EAP and compliance with environmental and health & safety standards within its project even when the company is claiming to face financial difficulties. Disclosure of the EAP would provide the EBRD with additional information through informal public monitoring of the project's implementation.

Another problem is the weakening of environmental standards in Kazakhstan as a result of the approval of the new Tax Code that reduced the list of pollutants that are subject to payments. Companies now pay only for 16 pollutants. The EBRD should clarify what its environmental requirements towards the company are and whether these are affected by the changes.

After its disappointing performance in this project, no more low-interest public loans should be extended to ArcelorMittal.

## For more information

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