

December 2, 2008

President Nursultan Nazarbayev
Ak Orda, Astana
Republic of Kazakhstan

Dear President Nazarbayev,

Re. Special conditions granted to ArcelorMittal Temirtau

Global Action on ArcelorMittal is a coalition of community and environmental groups from countries around the world where ArcelorMittal operates its steel mills and mines. The group is currently comprised of representatives from Bosnia-Herzegovina, the Czech Republic, Republic of Kazakhstan, Luxembourg, South Africa, Ukraine, and the United States. In these countries as well as other sites where ArcelorMittal Steel operates, communities share in common pollution problems such as soot, rotten egg odors, and noise from the steel mills, and workers at ArcelorMittal's mills and mines face health and safety problems.

ArcelorMittal Steel's Temirtau complex continues to be the main source of air pollution in Temirtau and one of the main polluters in the Karaganda region. Since 2004, 99 workers have been killed from methane explosions at ArcelorMittal's Kazakh coal mines. Earlier this year when an accident at ArcelorMittal Temirtau (AMT) owned Abaiskaya coal mine left 30 miners dead the Kazakh government threatened the company that it could lose its state license for subsurface resources use if does not meet the required safety standards at the coal mines. ArcelorMittal claims that pollution prevention and health and safety measures are a top priority for its operations in Kazakhstan, yet real improvements have yet to be seen and efforts must be significantly stepped up.

Since 1997 ArcelorMittal Temirtau has received \$392.4 million in low-interest loans and equity investments from the European Bank for Reconstruction and Development and the International Finance Corporation. The EBRD and the IFC gave these loans to ArcelorMittal in order for it to make environmental as well as health and safety improvements at its Temirtau mill and mines. ArcelorMittal received the most recent of these loans in 2007. However, the community has not seen significant reductions to the air pollution - indeed it *increased* in 2007 - and methane gas explosions have continued to kill workers in the mines.

The government of Kazakhstan has recently signed a memorandum of understanding with ArcelorMittal Temirtau aimed at securing a special protective regime for the company during the current period of financial crisis in return for guarantees not to lay off employees. The memorandum, whose text the company has so far failed to disclose upon request, is reported by local media to include:

- Reduced social payments;
- Assistance in VAT return for zero rated turnover;

- Possible 25 percent discount on railway use and moratorium on railway rate increases for 2009;
- Consideration of relaxing the already generous allowance for emissions for 2009-2011 and postponed environmental payments;
- State assistance in providing ArcelorMittal sources of water supply;
- “Development of mechanisms for ArcelorMittal Temirtau to participate in procedures of state purchase, including replenishment of state resources”, i.e. guaranteed state purchase of steel products.

ArcelorMittal has already been receiving special long term support at its Temirtau complex since it bought the facility in 1995. This support has included fixed fees for pollution regardless of the actual volume of pollutant emissions and fixed corporate income tax regardless of the results of the company's financial activities. If special concessions from the government have not resulted in pollution prevention and health and safety measures in the past 13 years that ArcelorMittal has operated in Kazakhstan, is there reason to believe that more allowances will make a difference with the company?

It is time for the Kazakh government to show its commitment to the people of Temirtau and the surrounding area. While protecting jobs *is* important, the people of Temirtau and Kazakh taxpayers must not subsidise an industry that is detrimental to both the environment and the health and safety of its workers. The memorandum of understanding signed with ArcelorMittal appears to leave considerable room for manoeuvre, and we ask you to consider whether or not continued leniency is the best incentive for ArcelorMittal to make its Temirtau facilities safe for the community and the workers.

Instead of negotiating continued concessions for the company, we urge you to ensure that ArcelorMittal invests in pollution prevention and health and safety measures in Temirtau and its mines in the Karaganda region.

We have enclosed a case study titled “In the wake of ArcelorMittal: The global steel giant's local impacts.” In this report we have detailed the pollution and health and safety problems that communities and workers are facing in eight of the countries where ArcelorMittal operates steel mills and mines.

Sincerely,
Sunita Dubey
Groundwork USA
On behalf of Global Action on Arcelor Mittal

Members of Global Action on Arcelor Mittal:

Groundwork, USA

Karaganda Ecological Museum, Kazakhstan

Friends of the Earth, Luxembourg

Ohio Citizen Action, USA

National Ecological Center of Ukraine, Ukraine

The GARDE program of Environmental Law Service, Czech Republic

Vaal Environmental Justice Alliance, South Africa

CEE Bankwatch Network, Czech Republic