

General Considerations Regarding the Industrial Activity of ArcelorMittal Galati on the Environment

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Abstract: Although everyone acknowledges the fact that industrial activities are bad for people's health and more so for the natural environment they are considered a necessary evil. You cannot expect to remain in the run of this competitive economic environment without industry. It is industry that makes the world go round even though if things keep going the same way we'll soon not have a world to talk about. However, these days there seems to be a global campaign of raising awareness about the damage we cause to nature, but unfortunately like everything else this also happened to move extremely slowly towards Romania. In Romania, national environmental groups seem to have made little impact in reducing pollution.

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1. The Reasons for Selecting the Subject and the Study Area

Galati is the third important industrial centre in the country. It is also my hometown, therefore the reason I have chosen to write about it. It is situated in the east of Romania and beside its plants and factories has also the advantage of being placed on the bank of the Danube which makes it a port town. These two characteristics without a doubt help the economy but not without consequences suffered mostly by the environment and by extension by the people living here. This study will focus mainly on ArcelorMittal Galati and the effects its activities have on the surrounding area. I find it is of utmost importance to raise the awareness of the air pollution problem in Galati because even though many other have fought to reduce the negative consequences of this company's procedures, until now nothing seems to have changed. The cause is obvious to those who have tried again and again to establish a relationship with the executive figures of ArcelorMittal: there exists no transparency regarding their environmental programmes and no wish for collaboration whatsoever.



Study Area location



ArcelorMittal Galati is the largest integrated iron and steel works in Romania, accounting for over 50 per cent of the country's steel production. The plant occupies one-quarter of the area of the town of Galati (population approximately 300 000 people). Built in the 1960s, it currently has a capacity of 5.5 million tonnes, two thirds of which is exported to more than 40 countries.

The company was privatised in 2001 when it was acquired by ArcelorMittal Galati. With a major modernisation programme underway, the company has set itself the goal of becoming the operating benchmark for steelmaking in Central and Eastern Europe. ArcelorMittal Galati has long produced the high quality steel required by the world's most demanding industries – including shipbuilding, the automotive sector, construction and earth moving, oil and gas.” Or so they say. We should address the impact this giant that releases grey toxic puffs everyday in the air we breathe has on the community and more to the point how the executives in charge pretend to solve the environmental problems.

By 2001 the steelworks was reportedly losing an estimated USD 1 million a day, with hundreds of millions of dollars in debts (reports vary from USD 160 million³ to USD 900 million⁴). This led to its privatization. LNM bought the Sidex mill (again, reports vary on the amount paid - between USD 605 and USD 360 million⁶), causing a scandal in the UK where Prime Minister Tony Blair had signed a July 2001 letter to his Romanian counterpart endorsing the sale to Mittal.

After the privatisation the plant's name was changed to Mittal Steel Galati. In 2007 this changed again to ArcelorMittal Galati. Everyone expected the privatization to bring bigger wages for the employees, better working conditions and a new level of awareness in relation with the environmental impact the toxic wastes and releases had. Well, it didn't happen something even remotely close to this. In its heyday the plant reportedly employed 47 000 people, though by 2001 this was down to 25 000. By 2005 this had dropped to 18 000, with the aim of cutting a further 5000 jobs by 2008. This of course produced panic and led to strikes.

2. Environmental Threats

Environmental Issues



The main factors that change the natural attributes of the environment in Galati are: industrial activities (ArcelorMittal Galati- iron plant, Damen Shipyard-ship constructing, food and drink industry, textile industry, chemical industry, oil processing

industry, etc; waste products which are either thrown in the Danube or on the streets/in parks/in forests, etc; pollutant agents produced by transport vehicles and released in the air.

Although everyone acknowledges the fact that industrial activities are bad for people's health and more so for the natural environment they are considered a necessary evil. You cannot expect to remain in the run of this competitive economic environment without industry. It is industry that makes the world go round even though if things keep going the same way we'll soon not have a world to talk about. However, these days there seems to be a global campaign of raising

awareness about the damage we cause to nature, but unfortunately like everything else this also happened to move extremely slowly towards Romania. In Romania, national environmental groups seem to have made little impact in reducing pollution. Reasons for this inefficacy include there being little information about environmental groups and what they aim to achieve. There is a lack of advertising on their part, a lack of organisation and a lack of funds. Ecological parties, however, have gained seats in the Romanian Parliament, indicating that environmental issues are of concern to a significant number of the general population.

The challenge that the community faces living next to the ArcelorMittal it is people's day to day struggle for environmental justice and an environment that is not harmful to their health and free of pollution. The issue here is that for many living in Galati, the plant is a mixed blessing as they either work or has relatives or friends who work for ArcelorMittal. And although there have been numerous strikes, the complaints made were more about wage levels and not about working conditions or environmental threats. This must not come as a surprise because the effects of pollution and nature's damage are not so easily observed or felt. People are more concerned about ensuring a decent life standard for their family than about the thinning of the ozone layer or leaves and grass turning brown.



Another point to be made in connection with the people's ignorance regarding the damage this industrial giant causes on the town is the following: they have lived so long in this environment that they have adapted and do not detect changes or deterioration that for others/foreigners are noticeable. To back up this affirmation I can present my own experience. I have lived for many years in Galati, of course with the relevant travels on holidays, but after leaving town for only a week or two, on my arrival I couldn't feel a significant difference in the atmosphere. What I am trying to say is that, obviously I could not expect the air to be as clean as it is in the mountainous towns, but it seems my body was so intoxicated with that air to such an extent that it felt familiar. However, after I have left for college and have taken quite a long deep breath of mountainous air, going back to Galati hasn't been too easy. The first week I have spent in Galati was awful. I could actually feel the air was full of dust particles when inhaling, and at nighttime even in winter I would keep the window open because I felt I couldn't breathe. Surprisingly after that transitory week things started to improve, not much but breathing became quite bearable.

One more thing that we have observed is the sky. It is grey, or greyer than it should be anyway. The best days to observe this is on work days when the activity of the plant plus the intense transportation/circulation of the cars turn the whole city grey. Anywhere you go, you find exhaust fumes that make you choke and if it rains, the rainbow effect can be seen anywhere on the streets.

Galati is one of most polluted areas in the country and for several years the local Earth Friends NGO has been monitoring and campaigning on the environmental problems caused by the plant. Although the steelworks has been turned around economically during the last few years, ArcelorMittal Galati still suffers from serious environmental and health and safety problems, and improvements in these areas appear to be proceeding very slowly.

The problems stem mostly from the promises the company has made and exactly what they have delivered. The company received a USD 100 million short-term loan for Galati from the European Bank for Reconstruction and Development (EBRD) in 2001, which was extended in 2002. The project was classified as C/1 category and required an environmental audit. One of the elements of the project was to implement an Environmental Action Plan for the plant to reduce its extremely heavy environmental impact.

The main pollution concerns identified were as follows:

- Out of the 112 controlled emission sources of Sidex only 41 complied with emission standards (the main pollutants being dust, CO, NO_x, VOCs, SO_x, PAHs and heavy metals).
- Fugitive air emissions, exposure to heat and noise caused serious problems in the work place.
- Effluent waters polluted the two lakes (Catusa on the eastern side and Malina on the western side of the plant), which are connected to the River Siret. The main pollutants were cyanides and ammonia, which were said to have decomposed in the lakes rather than polluting the river.
- High energy and material intensity compared to that of a typical western European steel plant.

The short-term action plan for 2002-3 amounted to USD 19 million, excluding technological changes of benefit to the environment, due to be made separately, while the long term EAP was due to amount to about USD 76 million. One important requirement that came with the loan was that the company implements a public information programme. However NGOs have not been able to access the Environmental Action Plan.

The management of the plant has claimed in interviews that environmental investment in the plant is running ahead of schedule: EUR 33 million out of the planned EUR 61.2 million over 10 years had already been spent by mid-2006, and in 2005 the EBRD stated that 32 out of 54 action points had been completed, and that: “The annual progress reports on the implementation of the EAP show that good progress has been made over the past three years”.

However according to the local groups the environmental conditions have not subsequently been improved in the area and the EBRD concedes: “there is a (sic) considerable work left to do in the remaining six years”.

Labour and health and safety issues

The main aim of the plant’s takeover was to keep it operating and prevent total collapse, and the ensuing social disaster caused by the closure of the city’s main employer. However the workers’ initial relief at getting their wages paid on time has been mixed with a certain level of concern and dissatisfaction about the company’s intentions. The main issue for workers at the Galati plant after the



privatization was the threat of redundancy.

Compulsory redundancies were forbidden for the first five years after the sell-off by the privatisation contract, however this has not stopped lay-offs in the service companies

operating at the plant. As mentioned above, between the 2001 privatisation and 2005, the number of workers dropped from 25 000 to 18 000, with plans to lay off 5000 more.

Under the privatisation deal, LNM was declared exempt from VAT on imports or profit tax for five years. This exemption was terminated beginning January 1, 2005. However, the company has been accused of interpreting the clause too liberally, by refusing to pay wages tax or its workers' social costs and health insurance. The Guardian newspaper in the UK also reported frustration among workers at the new management's seeming reluctance to pay for a daily milk ration, to which 20,000 people are entitled on doctor's orders in order to reduce the health impact of a severely polluted working environment. In the last few years there have been several protests by workers at Galati. The main issues at stake are salaries. In 2005 members of the Solidaritatea union even went on hunger strike over Mittal's refusal to negotiate with the union on the collective bargaining agreement. In April 2007 the plant underwent the first general strike in its history, mainly over pay levels.



The number of injuries and deaths at the plant has raised concerns with safety inspectors citing 25 deaths and 254 injuries between the Mittal takeover in 2001 and July 2006. The company disputes the figures but admits to 17 deaths and 203 injuries serious enough to prevent employees working for some time. Mittal says it has improved safety since it took over: "We have put great emphasis on reducing the injury rates with considerable success. Prior to ArcelorMittal's ownership the average number of lost workday injuries per year was 147. In 2005, this had been reduced to 32, an improvement of 79 per cent," said a company spokesperson, who also claims that the average number of deaths at the plant has also fallen since Mittal took control. The company's claims to take health and safety seriously are disputed by many, including the state safety inspectorate. In the first half of 2006 the plant had already been fined nearly USD 60 000 for failing to regularly check equipment, for improper technology, for not checking employees' health and for inadequately marking dangerous areas.

3. Loans and Incentives offered to ArcelorMittal Galati to reduce their Environmental Problems. Ongo try to take Action but ArcelorMittal Galati is not open to Collaboration

Unreasonable subsidies for Mittal Steel Galati. Due to the Romanian government's wish to resolve the situation at the Galati plant, it offered incentives to Mittal in the form of tax exemptions. As mentioned above, until the beginning of 2005, Mittal Steel Galati was exempt from VAT on imports or profit tax for five years. As a result of commitments under certain agreements related to acquisitions and capital investments undertaken by ArcelorMittal, the income from operating activities in Romania was also exempt from taxes in 2004. Such benefits reduced the tax expense of Mittal's operating subsidiaries in Romania by USD 190 million.

In October 2001 the EBRD approved a short-term loan to ArcelorMittal Galati. It was a corporate revolving loan of USD 100 million (EUR 108 million), as part of a project with a total cost of USD 481 million (EUR 519 million). The loan was mentioned in the UK media during the scandal resulting from Tony Blair's 2001 letter to the Romanian Prime Minister recommending Mittal as a buyer for Galati and questions were asked about whether the UK government has exerted pressure on the EBRD to approve the loan for the privatisation.

In early 2002 the EBRD denied claims that the Department of International Development, headed by Clare Short, had tried to use its influence to promote

LNM, Lakshmi Mittal's company. "From our point of view we were backing the winner of a privatization process in Romania which had a sound creditworthy proposition that we could support," EBRD's head of banking, Noreen Doyle, said. Nevertheless, the UK government found itself in an awkward situation, on one hand receiving donations from Mittal and on the other hand being part of the EBRD's board making decisions on giving loans to Mittal.

In 2002 the EBRD extended a replacement loan of USD 100 million (EUR 100 million equivalent) to ArcelorMittal Galati, with an environmental category of B/1. The project aimed to support restructuring, and the loan proceeds were to be used towards financing the expenditure programme as agreed between the ArcelorMittal Group and the Romanian government at privatisation, including environmental and efficiency improvements, as well as working capital.

Non-governmental environmental groups TERRA Mileniul III and Earth Friends have communicated with the EBRD about the problems related to this project. However there has been little consensus on the results achieved, with the EBRD providing information on the actions Mittal claims it has carried out and the NGOs pointing out that hardly any improvements are visible to the local population and that the company is not willing to provide crucial data to civil society.

In July 2005, TERRA Mileniul III requested the environmental action plan from Mittal, but the letter remains unanswered. "The privatization gave tremendous financial facilities for the new owner in comparison with other large privatisations in Romania. The EBRD offered the steel works an opportunity to improve its environmental performance, but closed its eyes to the evidence of its missing transparency on environmental issues," states TERRA Mileniul III.

The Solidaritatea union expresses similar concerns, saying that many of the planned investments to improve the technological processes have been made on paper only, while those really carried out have used the cheapest materials,³² thus undermining their effectiveness.

In May 2004 the International Finance Corporation (IFC), the private sector arm of the World Bank, approved a corporate loan of up to USD 100 million to LNM Group for use in Kazakhstan (ArcelorMittal Temirtau) and Romania (Galati). According to the IFC the project's main purposes were to:

- improve the environmental performance of the plants

- create and maintain an environmental and worker health and safety system on a corporate level, so that it can help ensure that all its current and future operations will meet World Bank Group and/or European Union standards; and
- rehabilitate, de-bottleneck and provide working capital and cash support to its subsidiaries.

4. Conclusions

While the need for improvements to take place in Galati is clear if the plant is to stay in operation, questions marks remain over both the results of the loans as well as the justification for giving low-interest public loans and political support to a company headed by one of the world's richest men.

The local population has also a say in this. After conducting a survey in Galati, I have concluded that ArcelorMittal has a poor image indeed in that area. The main complaints made by the people are: 1. after the privatization, the staff reduction has left many citizens without jobs; 2. despite what the spokespersons at ArcelorMittal declared, there has been no noticeable improvement in the natural environment's quality. 3. Health issues caused partly by the extremely polluted air.

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