



ArcelorMittal

The Honourable Deputy Minister of Water and Environmental Affairs
Ms Rejoice Mabudafhasi
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Dear Deputy Minister Mabudafhasi

INCIDENT AT ARCELORMITTAL VANDERBIJLPARK

Further to our telephone conversation earlier today, I have set out below what steps need to be followed to bring matters to a conclusion:

1. The compliance notice issued by GDARD in October last year which implicated the electric arc furnaces (EAFs) was withdrawn on 28 February 2013 by GDARD. This withdrawal was the first hurdle to cross and is now solved.
2. The atmospheric emission license issued to Vanderbijlpark Works also needs to be amended to permit the operation of the EAFs as conditions 4.2 and 7.5 of the license may be breached in the event of the EAFs operating. Alternatively ArcelorMittal could be exempted from these conditions for a limited time period till the basic oxygen furnaces are repaired and fully operational.
3. Condition 7.5 in the AEL stipulates timelines for the construction and implementation of a dust extraction system which was found not to be feasible on financial grounds and for this reason we decided to phase out the EAFs in 2012.
4. Condition 4.2 in the AEL refers to the "duty of care" principle enshrined in section 28 of NEMA and the fact that fugitive emissions may be visible during EAF operations could be regarded as a breach of this condition. The fact that the planned EAF operation will be temporary and that the facility will actually operate below its normal emission load due to the closure of various other plants during this planned three month period can however be considered as mitigation measures relating to this condition.
5. Various attempts were made to persuade the Sedibeng Municipality to intervene in terms of S46(1)(c) of NEMAQA to amend the AEL. This specific section grants the licensing authority the necessary power to intervene without an application being made when socio-economic and public interests are at stake. Sedibeng Municipality was not inclined to do so.

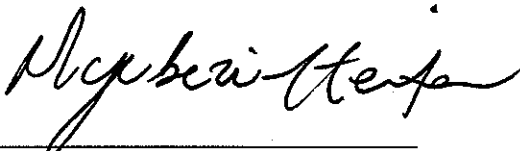
6. Sedibeng Municipality's position is that a formal amendment application must be submitted in terms of S46(1)(d) of NEMAQA which we know from experience is a time consuming process and could easily take 5 to 6 weeks due to public participation requirements.
7. Sedibeng Municipality further suggested that an application for exemption in terms of S59 of NEMAQA could also be considered to exempt ArcelorMittal from certain conditions in the AEL. It is our understanding that the minister has discretion in terms of S59 to decide whether public participation is required or not.

We fully appreciate the concern expressed by environmental authorities regarding the potential impact of the restart on emission levels in the Vaal Triangle area. With the oxygen steel plant down for repairs, we have had to also stop operating the larger blast furnace and recently also ceased operations on one of the coke oven batteries. Moreover, we successfully commissioned a dedusting unit at the sinter plant in the second half of last year at a total cost of R250m, resulting in a significant reduction of emissions. Our projections are that during 2013, an absolute particulate emission reduction of 78% will be achieved compared to a 2005 baseline at Vanderbijlpark Works. Taken together with the relatively short time we anticipate running the electric arc furnaces, we believe the environmental impact will be limited.

We will run out of steel to supply the local market by the end of this week. This will impact various sectors of the market that we supply directly or indirectly, with the most notable being construction, with a knock-on impact on the completion date of some critical infrastructure projects. Steel imported from other ArcelorMittal group plants and transfers from our Saldanha plant to Vanderbijlpark will help but not fully mitigate looming market shortages.

Deputy Minister, to move forward, we request your urgent assistance in securing a temporary exemption as outlined under point 7 above. Your support in this matter would be of enormous assistance to us.

Sincerely



Nonkululeko Nyembezi-Heita
Chief Executive Officer