

CHINA NICKEL IMPORTERS STRIKE TERM DEALS WITH EYE ON INDONESIA ORE BAN CMN10 CMN13 - RTRS

A → 05-Dec-2013 06:32

Nickel -pig-iron output unclear on Indonesia's ore export ban

Refined **nickel** importers make flexible plans on term shipments

China **nickel** demand at 820,000 T in 2014 vs 780,000 in 2013 - Antaike

By Polly Yam

HONG KONG, Dec 5 (Reuters) - China's refined **nickel** importers are negotiating 2014 term deals with suppliers that give them the flexibility of adjusting shipment volumes depending on how Indonesia's proposed ban on ore exports turns out.

The Southeast Asian nation has said it will ban unprocessed ore exports from January 2014, but is rethinking it in order to keep export revenues flowing in. On Thursday lawmakers rejected a government bid to water down the planned ban. (Full Story) → B

A ban on ore exports from next month will boost China's demand for refined metal by hurting output of cheaper substitute **nickel** -pig-iron. Higher imports of spot refined **nickel** by the world's biggest user of the metal could support global prices CMN13 that have fallen nearly 20 percent this year.

Some 60 percent of **nickel** consumption in China is covered by **nickel** -pig-iron, a low-grade ferro-**nickel** used for stainless steel production. So widespread is its use now that China has become the world's biggest and dominant producer of **nickel** -pig-iron.

Most of the raw material for making the ferro-**nickel** comes from Indonesia. The Southeast Asian country provided 55 percent of China's 57 million tonnes of **nickel** ores and concentrate imports in January-October, the bulk of which was laterite ore used to make **nickel** -pig-iron, according to analysts.

Given the uncertain situation about Indonesian exports, importers of refined **nickel** are negotiating flexible term shipments with suppliers for 2014, traders said.

An executive at a Chinese importer said his firm had asked a big supplier to ship between 200 tonnes and 500 tonnes per month in 2014, compared to 300 and 400 tonnes this year. The firm will decide the monthly imports according to spot demand.

Suppliers had offered premiums of about \$160 per tonne over the London Metal Exchange **nickel** prices CMN10 CMN13 for smelting grades of refined **nickel** for 2014 term shipments to the firm, compared to \$140-\$180 in 2013, he said.

"We have booked some 2014 term shipments at premium of \$160 per tonne which we don't think is high," the executive added.

BOOSTING INVENTORIES

For their part, **nickel** -pig-iron producers in China have been boosting their inventories of laterite ore in anticipation of the Indonesian ban. They and other importers have built at least 2.5 million tonnes of ore stocks in October and November.

The stocks in the seven largest Chinese ports rose 16 percent to 18.92 million tonnes in end-November from 16.38 million tonnes in end-September, data from information provider Umetal.com showed.

Stocks in all ports in China should be more than 23 million tonnes of laterite ore, said Wang Lixin, analyst at Umetal.com.

The estimated stocks would contain 345,000 tonnes of **nickel** based on average metal content of 1.5 percent in ore imports.

"Producers have been building ore stocks ahead of Indonesia's planned ban in January," said a manager at a **nickel** -pig-iron producer.

The high ore stocks would support strong production of **nickel** -pig-iron in the first half of 2014 and the production would slow in the second half as ore imports fall, said Xu Aidong, chief analyst at state-backed research firm Antaike.

China's **nickel** output may surpass 720,000 tonnes of metal in 2014 compared to 680,000 tonnes expected this year, Xu estimated. Of the 2014 output, about 500,000 tonnes would be metal from **nickel** -pig-iron versus 470,000-480,000 in 2013.

Nickel use in China is likely to surpass 820,000 tonnes of metal in 2014 as stainless steel output rises to cover higher

demand from infrastructure and building projects, compared to about 780,000 tonnes expected for this year, Antaika forecast.

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UPDATE 1-INDONESIAN LAWMAKERS REBUFF GOVT BID TO EASE 2014 ORE EXPORT BAN ANTM.JK FCX.N NEM.N - RTRS

05-Dec-2013 04:53

(Adds details)

By Yayat Supriatna

JAKARTA, Dec 5 (Reuters) - Indonesian lawmakers rejected a government bid to water down a planned ban on shipments of unprocessed metals on Thursday, dashing Jakarta's attempts to keep much-needed export revenue flowing in.

The government, faced with a current account deficit at a near-record high, has been scrambling to ease nationalistic resource rules that were passed more than a year ago, including the ban on mineral ore exports from January 2014. (Full Story) *cl*

"I have tried to propose exceptions for ore exports, but the DPR (parliament) commission refused them," Energy Minister Jero Wacik said after a meeting with the parliament's mining committee. "There will be no exceptions."

Southeast Asia's largest economy is the world's top exporter of **nickel** ore, thermal coal and refined tin, and home to the world second-biggest copper mine.

Indonesia's investment chief said export revenue would drop by no more than 10 percent next year, despite the imminent ban on ore shipments. (Full Story) *ca*

Indonesia's major copper producers include U.S.-based Freeport McMoRan Copper & Gold Inc FCX.N and Newmont Mining Corp NEM.N, while the gold industry has state-owned Aneka Tambang ANTM.JK and Australia's Newcrest Mining NCM.AX.

Wacik told the committee that miners should be allowed to keep shipping unprocessed ore under certain conditions, including if they already had smelters under construction or agreed to pay higher export taxes.

To date, 28 companies have broken ground on Indonesian smelter projects, energy ministry officials had said earlier on Thursday, with more than 100 smelter proposals submitted.

In September, Newmont, the world's second-largest gold producer, warned employees at its giant Batu Hijau copper and gold mine in Indonesia that it will start making contingency plans ahead of the export ban. (Full Story) *cs*

Freeport, which runs the world's second-biggest copper mine, warned in October that it could be forced to halt operations at its Grasberg site in Papua, along with Indonesia's only copper smelter, if the government does not ease the ban. (Full Story) *cy*

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UPDATE 1-INDONESIA MAY LOOSEN EXPORT BAN ON METAL ORES - RTRS

28-Aug-2013 08:10

(Adds quotes from ministers and parliamentarians, details)

By Rieka Rahadiana and Fergus Jensen

JAKARTA, Aug 28 (Reuters) - Indonesia will push for a relaxation of its controversial 2014 ban on metal ore exports amid a scramble to support the rupiah and restore confidence in Southeast Asia's largest economy.

Indonesia is the world's top exporter of **nickel** ore, coal and refined tin and its mining industry contributes around 12 percent of gross domestic product (GDP).

However, the ban on unprocessed mineral exports from January 2014 has hit the industry and uncertainties over the country's mining rules have dented its credibility with foreign investors.

If approved, the reversal of mining policy will upset metal industries banking on a tightening of ore shipments that have increased significantly in the lead up to the ban. **(Full Story)** However, some in parliament doubted the government would manage to overturn the rule.

Under the proposed revision, mining companies with smelters under construction would be allowed to continue to export unprocessed minerals, but would be charged a progressive duty on the shipments depending on how close to completion their projects are, Industry Minister Muhammad Sulaeman Hidayat told reporters.

"Miners that have not (started) building smelters yet will not be allowed to export minerals," Hidayat said.

The proposed changes were confirmed by energy and mineral resources minister Jero Wacik.

"This is an emergency measure, with global conditions like this we have to increase our exports," Wacik said, referring to the government moves to increase mineral exports to maintain the country's trade balance and rupiah IDR= stability.

Wacik also said the government may amend its export policy after 2014 to encourage investment in the sector.

The proposal comes after Indonesia said this week it would scrap its export quota system for minerals. **(Full Story)**

But former parliamentarian Agusman Effendi, who helped create the export ban as part of the 2009 law on mining, said the amendment would not be possible.

"We formed a regulation that is very rigid. After four years (from the date the law was introduced) everything must be smelted in Indonesia. If it's that easy to change the law, why didn't they do it earlier?"

Parliamentarian Satya Widya Yudha said the revision would be unlikely to be passed by parliament.

"We can't annul what has been decided in this law. If they aren't consistent it will make foreigners question the Indonesian government's attitude."

But Finance Ministry fiscal policy chief Bambang Brojonegoro said the progressive export duty could be imposed without parliament approval.

No further details were provided on the range of the progressive export duty or method for its calculation. Officials at the Energy Ministry were not immediately available for comment.

The Indonesian mining industry's net revenue is expected to climb from 25 trillion rupiah (\$2.29 billion) in 2012 to around 33.1 trillion rupiah this year, according to government data. (\$1 = 10925 rupiah)

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ALERTS HISTORY

08-Nov-2013 00:41 - INDONESIA'S METAL ORE EXPORT REVENUE EXPECTED TO FALL BY NO MORE THAN 10 PCT NEXT YEAR DUE TO EXPORT BAN-INVESTMENT CHIEF

08-Nov-2013 00:41 - INDONESIA'S METAL ORE EXPORT BAN TO MAINLY IMPACT COPPER AND GOLD SHIPMENTS-INVESTMENT CHIEF

C2 INTERVIEW-INDONESIA METAL ORE BAN TO HAVE ONLY A SMALL HIT ON EXPORTS - RTRS

08-Nov-2013 00:46

Export revenue should not be cut by more than 10 pct-investment chief

Revised plans set to mainly impact copper and gold shipments

Ore ban plans have hit metals markets, investor credibility

Govt confident it can revise regulations - ministry official

By Randy Fabi and Jonathan Thatcher

JAKARTA, Nov 8 (Reuters) - Indonesia's ban on shipping unprocessed mineral ore should cut export revenue by no more than 10 percent next year, the country's investment chief said, as the controversial rule is relaxed to limit the impact on Southeast Asia's largest economy.

The estimate, which could mean a loss of at least \$470 million based on data on the top three metal exports, is the first a senior government official has publicly given on the potential economic impact of revisions to the mineral export ban.

Policymakers, grappling with an economic slowdown and a widening current account deficit, have been under pressure to water down the ban that threatens to halt billions of dollars worth of metal exports once it comes into effect in mid-January.

Uncertainty over how the final law will be enforced by Indonesia, the world's top exporter of **nickel** ore and refined tin, has hurt the country's credibility with foreign investors and rattled metal markets.

"We only see a slight impact (on metal export revenue from the ban)," Mahendra Siregar, chairman of the Investment Coordinating Board, said in an interview. "In total, a 10 percent decline would be the maximum."

The total value of the top three metal ore exports -- **nickel**, copper and bauxite -- was nearly \$4.7 billion last year, according to Bank Indonesia.

Siregar said the ban would mainly impact shipments of copper and gold. Indonesia's major copper producers include U.S.-based Freeport McMoRan Copper & Gold Inc **FCX.N** and Newmont Corp **NEM.N**, while the gold industry has state-owned Aneka Tambang **ANTM.JK** and Australia's Newcrest Mining **NCM.AX**.

EXPORT EXEMPTIONS

Analysts believe that Indonesia does not have the capacity to process the enormous amount of ore it produces, and so the ban would strangle exports of minerals such as **nickel**.

The mining law was first passed in 2009 in a government bid to seize more control over Indonesia's natural resources.

But the government is close to finalising agreements with at least 12 companies that would allow them to continue shipping unprocessed ore after January's ban, said Siregar.

The dozen firms, which he declined to disclose, have already completed domestic mineral processing facilities or were close to completion.

Government officials said they expected an announcement of the changes once agreements were reached with a few more companies.

"The government plans to revise some of the regulations, some of the rules that apply to (the 2009 mining law)," Susilo Siswoutomo, deputy energy and mineral resources minister, at an investment conference on Thursday.

"We are very confident that by the end of the year we will be able to do that."

Indonesia has received 28 "very serious" proposals to build smelters, some of which could be operational as early as next year, Siswoutomo said. There were 97 other proposals that were only at the stage of feasibility studies and were

being reviewed by the government.

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NEWMONT INDONESIA TO MAKE CONTINGENCY PLANS AHEAD OF 2014 EXPORT BAN 8053.T ANTM.JK NEM.N - RTRS

C3

20-Sep-2013 08:50

Internal memo sent to Newmont staff due to 2014 export ban concerns

Newmont has to start developing contingency plans, says memo

Average 20-23 percent of copper concentrate shipped to domestic smelter

By Michael Taylor

JAKARTA, Sept 20 (Reuters) - Newmont Mining Corp **NEM.N**, the world's second-largest gold producer, has warned employees at its giant Batu Hijau copper and gold mine in Indonesia it will start making contingency plans ahead of a possible export ban next year.

With a current account deficit at a near-record high, the Indonesian government is scrambling to ease nationalistic resource rules that were passed more than a year ago, including a ban on mineral ore exports from January 2014. (Full Story)

Southeast Asia's largest economy is the world's top exporter of **nickel** ore, thermal coal and refined tin, and home to the world second-biggest copper mine.

Newmont issued an internal memo to employees this week informing them that while talks continue with the government on the 2014 regulation, contingency plans will start to be developed, Rubi Purnomo, head of corporate communications for Newmont in Indonesia said in an emailed response to Reuters.

"We felt that our employees needed to be informed that we have to start developing contingency plans in the event that the export of copper concentrate is banned, including the worst case scenario of ceasing operations at Batu Hijau," Purnomo said.

The Indonesian Energy and Mineral Resources Ministry has initiated talks with lawmakers to revise the 2009 law that requires mineral ores to be processed domestically before export, starting from January 2014.

One option being discussed is to allow limited exports from companies that have already made investments or signed agreements to process ore domestically, such as PT Perusahaan Perseroan Aneka Tambang (Antam) **ANTM.JK**. (Full Story)

"We have had meetings with numerous ministries, and are working on arrangements to supply copper concentrate with three companies that plan to build copper smelters in Indonesia," Purnomo added.

"However, we have not yet received confirmation of our right to export copper concentrate as specified in our CoW (contract of work), after Jan. 12, 2014.

A second option being considered by the government, is to delay the ban and instead increase the ore export tax by as much as 50 percent from the current 20 percent, the Indonesian Mining Association says.

Attributable copper production at Batu Hijau was 76 million pounds last year, with attributable gold output at 33,000 ounces, according to Newmont's website.

Copper production in 2013 is forecast to be between 75-90 million pounds, with an average 20-23 percent of copper concentrate production from Batu Hijau shipped to Indonesia's only copper smelter, PT Smelting in East Java, Purnomo said.

Newmont has been caught in a lengthy legal battle between business-backed local government and central authorities for the right to buy a stake it is divesting in the Batu Hijau mine in West Nusatenggara province.

Newmont, which also has mines in Africa, Australia, Canada and the United States, operates the Indonesian mine in partnership with Japan's Sumitomo Corp **8053.T**.

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ALERTS HISTORY

04-Oct-2013 03:21 - FREEPORT FCX.N INDONESIA CEO SAYS EXPECTS TO SIGN NEW CONTRACT WITH UNION WORKERS WITHIN TWO WEEKS

04-Oct-2013 03:21 - INDONESIA MINERAL ORE EXPORT BAN MAY FORCE SHUTDOWN OF WORLD'S 2ND BIGGEST COPPER MINE & COUNTRY'S ONLY COPPER SMELTER-FREEPORT

INTERVIEW-FREEPORT EXPECTS TO SIGN NEW CONTRACT WITH INDONESIA UNION IN 2 WEEKS FCX.N - RTRS

04-Oct-2013 03:22

By Randy Fabi

NUSA DUA, Indonesia, Oct 4 (Reuters) - Freeport-McMoRan Copper & Gold Inc FCX.N and its Indonesian union workers are expected to sign a new contract within two weeks after reaching an agreement over wages, a senior company official said.

The deadline for a deal between workers and management at Freeport's Grasberg mine in Papua, which is the world's second- biggest copper mine, was supposed to be on Friday.

"We plan to have (talks) extended by maybe two weeks because we are thinking of having the signing of the agreement by mid-October. We are still preparing the document," Freeport Indonesia CEO Rozik Soetjipto told Reuters on the sidelines of an APEC (Asia Pacific Economic Cooperation) conference in Bali.

A union official had said on Wednesday a tentative agreement was reached but held out the option of a possible strike if a final deal was not reached this week. (Full Story)

The Freeport Indonesia workers' unions are yet to sign an agreement, Juli Parorrongan, spokesman for the workers' unions, told Reuters in a text message on Friday.

"I'm 95 percent sure there won't be a strike," CEO Soetjipto said, adding that talks were still ongoing over minor issues.

Freeport Indonesia employs about 24,000 workers including contractors and staff. About three-quarters are union members.

The negotiations, which are seeking agreement on workers' wages, benefits, rights, obligations and pensions, were temporarily suspended in May when a tunnel collapse killed 28 people, halting operations for weeks. The talks resumed in June.

The mine, which normally produces around 220,000 tonnes of copper ore a day, is currently operating at 85 percent of its capacity, Soetjipto said.

MINERAL EXPORT BAN

Freeport warned that it could be forced to halt operations at Grasberg, along with Indonesia's only copper smelter, if the government does not ease a ban on mineral ore exports before it becomes effective in January.

The ban is a result of efforts by Indonesia, which is the world's top **nickel** ore, refined tin and thermal coal exporter, to generate more profits and influence in commodities markets.

But a tumbling currency, a precarious trade deficit position and protests from industry have made the Southeast Asian nation reconsider the measure, though no final decision has been made.

Soetjipto said PT Smelting, in which Freeport has a 25 percent stake, could be forced to shut down because the new rule would not allow it to export unprocessed gold slime.

The smelter's closure would be an ironic twist to Indonesia's export ban, which is aimed at building the country's refining capacity.

"If the smelter is shut down and then we are not allowed to export that means we cannot sell our product," he said. "If we cannot sell our product, of course we have to shut our operation."

A PT Smelting spokeswoman declined to comment on a possible shutdown.

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