

Chinese Smelter Assails Indonesia Over U-Turn on Ore Exports

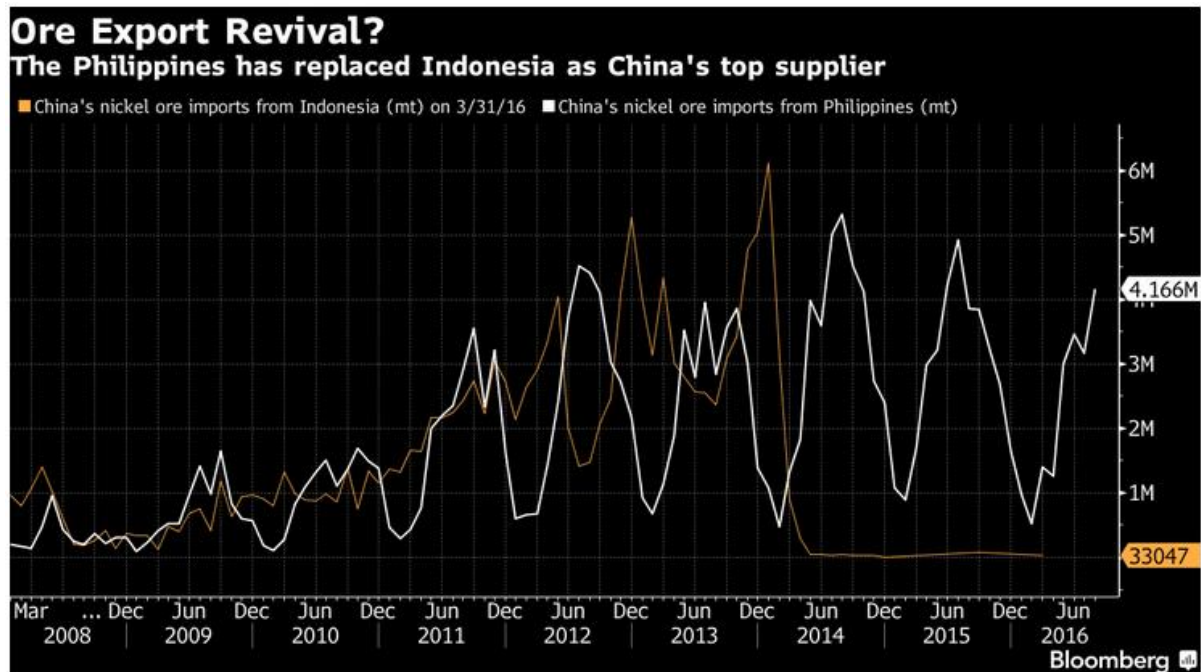
- Move will increase ore costs, threaten smaller producers
- ‘Unwise to lift the ban now,’ says Tsingshan venture’s CEO

A plan by Indonesia to allow shipments of raw mineral ores would inflate local smelting costs and threaten the existence of small producers, according to the head of a Chinese-Indonesian venture, who called the move unwise and said it contradicted promises by the nation’s president.

Easing the export ban would mean local processors would have to compete with foreign buyers for supplies, raising the price of nickel ore, according to Alexander Barus, chief executive officer of Tsingshan Bintangdelapan Group. The company, partly owned by China’s Tsingshan Holding Group, may surpass PT Vale Indonesia this year as the largest nickel producer in the country.

The government could allow 15 million metric tons a year of low-grade ore exports because the material is hard to process locally and the money will help fund the building of local smelters, according to Teguh Pamudji, secretary general at the Energy & Mineral Resources Ministry. The country may permit a similar amount of bauxite sales. The plan has sparked opposition from Vale Indonesia, a unit of Brazil’s Vale SA, and the Indonesian Processing & Refining Industry Association. State-owned PT Aneka Tambang supports the move.

“President Joko Widodo, when he opened our smelter, promised that there won’t be any more ore exports,” Barus said in a phone interview Oct. 7. “The mining law says exports are allowed for processed and refined products only, so exports of ore are against the law. It’s very unwise to lift the ban now, when many smelters have started to ramp up production.”



Ministries will start discussing rule revisions this week that would allow ore [sales](#) with 1.8 percent nickel purity or less, Pamudji said Friday. There will be limits on volume, maybe in the form of a quota, he said. Southeast Asia's biggest economy banned raw ore exports in 2014 to encourage local processing and stop mineral wealth disappearing overseas.

Indonesia was China's biggest supplier of nickel ore for use in stainless steel before the ban. The Philippines ramped up output to fill the gap, but now its mining industry is facing a raft of closures for environmental reasons just as Indonesia is considering a return to the export market. Sales of 15 million tons would be almost half the 32.3 million tons shipped by the Philippines last year.

Vale Indonesia has said easing the ban risks flooding the overseas market and undermining prices, while the country's processing and refining group fears the proposal would deter foreign investors who've spent billions of dollars to build processing plants in the country.

'Expensive' Ore

The nation's nickel smelters may need 20 million to 25 million tons of ore next year as companies ramp up production, said Barus, who runs the venture owned by the Jakarta-based Bintangdelapan Group in addition to Tsingshan Holding Group and with operations on the island of Sulawesi. The estimates exclude supplies for Vale and Aneka Tambang, according to Barus.

Tsingshan Bintangdelapan requires 12 million tons of ore in 2017 as it boosts nickel pig iron production to 1.2 million tons, or the equivalent of 120,000 tons of pure nickel, from 900,000 tons this year, Barus said.

The plan "will definitely boost competition not only with the export market but between local smelters," Barus said. "Ore will be expensive and small-scale smelters will be hit most. It's

possible well-capitalized smelters will survive while smaller companies go bankrupt because they can't cover rising costs.”

Nickel on the London Metal Exchange traded at \$10,420 a metric ton on Tuesday. Prices slumped to \$7,550 in February this year, the cheapest in over a decade, after climbing to more than \$21,000 in 2014, four months after Indonesia imposed the ban. Vale Indonesia shares added 1.9 percent in Jakarta on Tuesday, while Aneka Tambang stock climbed 5.1 percent.

Teten Masduki, President Jokowi's chief of staff, didn't answer two calls to his mobile phone on Monday, seeking comment. Johan Budi, a presidential spokesman, also didn't respond to calls to his mobile phone.