

Indonesia expects mining rule overhaul within weeks

Indonesia is finalizing an overhaul of its mining rules that could give companies up to five more years to build smelters, and reopen exports of nickel ore banned since 2014, the country's mining minister said on Tuesday.

The proposed changes provide a way around a 2017 deadline for full domestic processing of mineral ores, potentially pushing completion of that aim to 2022, but also possibly undermining investor confidence.

"We will provide an opportunity to companies building smelters, in the form of a relaxation ... in accordance with their smelter development progress," Mining Minister Luhut Pandjaitan said.

Miners that fail to build smelters within five years could have their mining permits revoked, Pandjaitan said.

Present rules would stop miners of copper, zinc, lead, manganese and iron from exporting concentrates after January 2017, after which only shipments of processed metals will be allowed.

The proposed change could be a breakthrough for miners such as U.S. giant Freeport-McMoRan Inc, for whom it would avert a stoppage of copper concentrate shipments from the giant Grasberg mine in Papua in far eastern Indonesia.

A Jakarta-based spokesman for Freeport did not immediately respond to requests for comment on the matter, but Indonesia's largest copper miner has previously said it was confident the government will not push ahead with the 2017 deadline, as the move could harm the economy.

NICKEL ORE POLICY

The government is also looking to possibly change rules on nickel ore with a 1.8 percent metal content, "because no one can process it domestically. Perhaps we will consider exporting it," Pandjaitan said.

Nickel companies have said they fear the rule changes could weaken metal prices, undermine confidence in the newly budding smelting industry and risk up to \$12 billion in investments.

The Philippines took the crown as the world's top nickel ore exporter after Indonesia banned nickel ore shipments, and now accounts for around one-quarter of the world's mined nickel supply, most of which is shipped to China.

But Indonesia has found compensation in shipping pig iron to China, India and other buyers, and this industry now worries that resuming ore exports could undermine the prices for such semi-finished and refined metals.

"Actually no one supports there being ore (exports) any more," Jonatan Handojo, executive director of Indonesia's main smelter industry association, told Reuters.

Overturing the ban would go against the wishes of most participants in Indonesia's nickel industry, Handojo said.

He dismissed a "handful" of companies, such as Indonesian state miner Aneka Tambang, which hope that Indonesia will again open up nickel ore exports to prop up income and support financing for smelter investments.

EXPORT TAX?

As part of the overhaul, the finance ministry is working on a progressive export mineral export tax, to be imposed in stages according to how far companies have advanced with their smelter development, Pandjaitan said.

Further details of this and the mining overhaul are expected within weeks, Pandjaitan said.

"There is no way we can satisfy everyone, but we are trying to be as fair as possible, and to act in the interests of the government, the people of Indonesia and investors in that sector," he said.

Indonesia's growth cooled to its slowest in six years in 2015, partly as a result of weaker returns from commodities, and the government has been rolling out new measures this year to reenergize the economy and boost its revenues.

Nickel prices hit a seven-week high of \$10,900 a tonne on the London Metal Exchange last week, after the Philippines intensified its environmental crackdown on nickel miners.

<http://www.reuters.com/article/us-indonesia-nickel-exports-idUSKCN12406B>