

INDUSTRIAL MINERALS
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MagMin2014



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Public policies potentially affecting the magnesite industry

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Introduction

Follow up from MagMin '13 and today's Euromines presentation

Focus on what impacts the magnesite **market**



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ETS: EU/EFTA, worldwide

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ETS: EU/EFTA...

28 EU + 3 EFTA: biggest '**cap and trade**' int'l system, 11,000 power stations & industrial plants in 31 countries + airlines

Phase III 2013–2020: GHG covered are CO₂ since Phase I, N₂O/PFCs since Phase III



...ETS: EU/EFTA

Phase III (2013–2020): 100 % auctioning for electricity sector, free allocation based on industry benchmarks for manufacturing

For sectors **not** exposed to ETS risk of carbon leakage free allocation to be phased out gradually, fm 80 % of free allocation in '13 to 30 % in '20

May 5 '14: EC proposed next 'carbon leakage' list of industrial sectors and subsectors eligible for free allocation for '15–'19 by end '14



ETS: North America

Regional Greenhouse Gas Initiative: 1st US GHG ETS; 2nd period Jan. 1, '12–Dec. 31, '14: by '20 reduce regulated power sector's CO₂ emissions regionally by > 50 % fm '05 levels; stricter as of Feb '13

Western Climate Initiative: British Columbia, California, Manitoba, Ontario, Québec

CA, Québec: independent cap-and-trade systems, too

Mexico: by '20, 30 % reduce GHG vs business-as-usual

Obama/EPA: rules to cut 30% CO₂ from existing power plants



ETS: elsewhere

Australia: July '12 the then govt introduced Carbon Pricing Mechanism [ETS]. Sept '13 new govt: policy to repeal and replace w/ 'Direct Action Plan'. Nov '13 legislation introduced but so far CPM remains law

Starting in *Brazil, Russia, Rep of Korea, Turkey, the Ukraine, Japan* etc



ETS: China

May 20, '14: China/EU launched 3-year cooperation on a Carbon ETS, w/ 5 mi euro EU contribution

China launched pilot Carbon ETS in 7 cities, incl Beijing, Tianjin, Shanghai; to gradually establish **national** carbon trading mkt by '20



Chinese national policies

in addition to ETS and energy subsidies

Export license system, imp/exp tariffs

Closing ineffective production

Increasing attention to environment, health and safety

Augmenting wages and salaries

Curtailing undervalued cargos that try to avoid paying the full export tax

Trying to cope with tax evasion

Fighting smuggling



WTO: from Mg metal to rare earths to magnesite?

'1st wave' Mg metal etc: 1/12, WTO ruled in favour of complainants; 1/13 China lifted all relevant duties

'2nd wave' REE, Sb, Mo: 5/12 EU/US/Japan launch WTO complaint against Chinese export regime; 3/14 WTO rules against China; 4/14 China announces it will appeal, ie total time >3 years; eventually China will ~comply

A '3rd wave' could include [critical?] magnesite → non-Chinese producers should seriously prepare for this



Criticality – to be or not to be?

Closely linked with the issue of security of supply

EU 2010: mag 'pre-critical' as feed for Mg

RAND report, US: mag 'critical'

EU 2014: mag 'critical' – errors in methodology?

Magnesite and magnesia: two different things

Arguments in favor [antidumping], but more importantly
against [Chinese export license system]

Definite need for an EU study



Other issues

Crystalline silica

BAT BREF

SO_x/NO_x regulations

REACH/CLP

Energy: May 28 Ukraine → EU energy security strategy

Shale oil/gas: Euromines position paper; May 31, '14 US

DoE: 'LNG exports could help countries curb emissions'

Positive legislature promoting MgO use eg water in USA



‘Social license’

Our own experience: gold, shale, rare earths -- magnesite

The tacit approval a community gives to a devt project,
depending on tangible/intangible elements

Company efforts highlight **gains** a community[?] would
obtain but **do not** pay attention to the emotions and the
sentiment of **loss** that might be felt through the community

Regulators not trusted

Outside influences

**To fight emotions & hidden agendas you need more than
straightforward reason**



Conclusion

Today's Euromines presentation and hopefully ours show:

In all countries, capitalist or not, policies and regulations [‘the visible hand’] are becoming as important as developments in production, sales and financing

Thus our industry should devote as much, or even more, attention to these ‘new’ issues

Problem is this requires **completely different skills**

Let's put on a brave face and call this a ‘challenge’!

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Thank you very much
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