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EU & Global Government Issues Affecting the MgO Industry

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Contents

Why are policies needed?

- Failures of Adam Smith's 'invisible hand'
- 'For purist economists, the real world is a special case'
- Externalities, depletion, natural monopolies, enthusiasm [eg. Beijing Olympics] & panic, 'keeping-up with the Joneses', pleasing stock mkt
- L. Mittal, May 13, '13: 'we need defense against China' -- think of Chinese starting to dump steel
- Ft May 12, '13: 'It is now the central banks that are the irrationally exuberant players'!

EU policies

- Raw Materials Initiative
- Greenhouse gas emissions
- REACH, CLP, GMP etc
- Other EU environmental regulations
- EU other: antidumping, FP7 R&D

EU policies- GHG emissions…

- **EU Energy & Climate change policies: ETS revision, Backloading, National Allocations, Revision of Carbon leakage list.**
- **12 Mar '13 EP approves 2 new laws improving monitoring GHG emissions, incl. fm forestry, agriculture → CO2 price spikes…**
- **…but then drops below €2.70/mt April 16, after EP vote against freezing auctions of portion of CO2 emission quotas, that was to boost the price of EU "carbon allowances"**
- **EC meeting Apr 19 focus: early revision of linear reduction factor; extension of EU ETS scope to other sectors; use of access to international credits**
- **Ministers fm Germany, France & UK, along w/ those fm 4 smaller countries trying to revive backloading**

EU policies- GHG emissions

- CO_2 FT May 11-12 at €3.33/mt
- UK cement: freeze of indexation of Aggregates Levy until Apr '14 + introduction of Climate Change Levy mineralogical/metallurgical exemption for energy intensive industries eg cement/lime.
- Norway' s Green taxes

http://www.regjeringen.no/en/dep/fin/Selected-topics/taxes-and-duties/green-taxes-2011.html?id=609076

EU policies- REACH/CLP/GMP

- **REACH-exempted substances: magnesia, talc, feldspar, wollastonite, quartz, cristobalite etc – not mag hydrox**
- **May 31 deadline for industry to register all phase-in substances manufactured or imported in the EU => 100 tpy**
- **For 1-100 tpy deadline is May 31, ’18**
- **REACH-like regimes in Turkey, China and elsewhere**

- **C&L: Online Platform facilitates discussion on the self-classification of substances**

EU policies- Other EU environmental

- **BAT 26 Mar '13 EC Best available techniques on industrial emissions for cement, lime and natural MgO production**
- **Synthetic MgO BAT: revision of Large Volume Inorganic Chemicals BREF note only foreseen 2014. June or Sept '13 discussion w/ all players to start data collection.**
- **Respirable crystalline silica discussion at regulatory level for potential inclusion in Carcinogenic Directive revision-Binding Limit Value 0.1 mg/m^3?**
- **NOX/SOX stricter regulations could result in increased costs eg burning less petcoke, more LNG...**
- **…See BAT; also: at national level: Spain etc?**
- **Marketing products as 'green': measuring/communicating life cycle environmental performance of products & organizations--drafts, final version est'd 2016**

EU policies-other

- EU Water policy?
- Antidumping: Reminder: ccm terminated 2010, dbm May 201, after > two decades
- FP7 R&D: Possibility of financing joint projects, eg. on new uses of MgO
- Taxation?

Chinese policies-Export licenses for MgO, brucite etc… ['Official' figures]

Light and Heavy Burned Magnesia

Name of Enterprise [top 5 only]		Quota, mt
1.	Liaoning Jiayi Metals & Minerals Co., Ltd.	75,367
2.	Haicheng Houying Trade Group Co., Ltd.	75,134
3.	Haicheng Huayu Group Import & Export Co.	47,395
4.	Jiachen Group Co., Ltd.	44,705
5.	Haicheng Xiyang Import & Export Corp.	33,207

…Chinese policies-Export licenses for MgO, brucite etc…['Official' figures]

Other Magnesia

Name of Enterprise [top 5 only]		Quota, mt
1.	Dandong Xinyang Mineral Co.	5,058
2.	Dandong Yongfeng Minerals Co.,	4,894
3.	Yingkou Magnesite Chemical Ind	3,252
4.	Yingkou Tongxing Minerals Co.	3,169
5.	Yingkou Renwei Minerals Co.	3,106

…Chinese policies-Export licenses for MgO, brucite etc… ['Official' figures]

Uncalcined Brucite

Name of Enterprise [top 5 only]	Quota, mt
1. Dandong Jinyuan Shuimeishi Jiagong	51869
2. Dalian Dongbao Perarls Minerals	48114
3. Dalian Longdao Trading	37618
4. Dandong Jinshan Minerals	22912
5. Liaoning Xinyang Technology/Materials	18429

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…Chinese policies-Export licenses for MgO, brucite etc ['Official' figures]

Mixture Containing >70% MgO

Name of Enterprise	Quota, mt
1. Tateho Chemical Dalian Co.	5854
2. Yingkou Sanhua Chemical Co.	956
3. Zhanjiang Dongsheng Minerals Co.	942
4. Dashiqiao Jiashun Mg Products Co.	857
5. Shanghai SIIC Zhentai Chemical Co.	831

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Chinese policies-other

Both in March '13

1. Increased resource tax of magnesite & restrictions on delivering MgO powder & DBM semi-fished products
2. NE Asia Spot Commodity Exchanges launches new magnesia spot e-trading platform in Dashiqiao to handle $4.5bn and 500k mt of magnesia, for transactions out of Changxing Island Port. A cooperative deal between Dashiqiao City & NEASCE

U.S. court ruling

[info to be confirmated]

- **April 10, Caixin Online 'U.S. District Court for Eastern NY: Chinese companies guilty of fixing prices of vitamin C for the US. 2 plaintiffs to pay $153 mi in damages to U.S. rivals. 'Group helped coordinate export prices for vitamin maker-members…defendants subject to a macro control that Chinese government considers normal for its trade associations'.**
- **Impact of decision to reach beyond vitamins, eg. similar lawsuit against metal/minerals trade group China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters & 17 magnesite clinker companies also in pipeline in US**
- **Future of trade association system at stake'**

Worldwide events

- ‘Magnesite a critical material’: RAND Corporation report: 5th after REE, Sb, Wo, Mg
- WTO on Raw Materials export licenses:

--1st RM case - Mg metal, bauxite etc; China lost & seems to have complied, w/ all relevant duties having been lifted Jan 1, ’13

--2nd RM case - Chinese REE, Sn, Mo exports: WTO Director-General composed panel Sept 24 ‘12.

--Magnesite and magnesia out [for now?]

Concluding remarks

- China struggling w/ its internal problems: labor/energy costs rise, quality/yield fall, environmental problems, illegal exports – *same for other minerals eg REE*

- Europe inflicting cost increases to itself, through EHS & 'social licensing'

- Shale oil/gas could be alleviate some cost pressures

Concluding remarks

- **Will there be another magnesite source outside China and the EU?**

- **Otherwise prices are bound to rise, unless [a] worldwide [incl. Chinese] demand drops, [b] MgO export licenses are abolished -- with or without a WTO decision, [c] smuggling increases, [d] N.Korea becomes the new China, [e] transportation costs fall**

- **Would be interesting to formally study these scenaria with a 'Decision Analysis' methodology – A topic for MagMin 2014!!**

Thank you very much!

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