

24/01/2014

## MINING UPDATE

# INDONESIAN ORE BAN – TEMPORARY RELIEF BUT AT A PRICE

AS IS WIDELY KNOWN, THE INDONESIAN EXPORT BAN ON ORE HAS COME INTO EFFECT ON 12 JANUARY 2014. THE REGULATION HAS CAUSED COMMOTION IN THE INDUSTRY AND THE INDONESIAN GOVERNMENT WAS UNDER PRESSURE TO ALLEVIATE SOME OF THE HARSHER CONSEQUENCES. AT THE LAST MINUTE, THE INDONESIAN GOVERNMENT HAS ANNOUNCED CERTAIN RELIEF MEASURES. HOWEVER, THESE MEASURES ARE INTENDED TO BE TEMPORARY AND IN EXCHANGE FOR THE RELIEF, THE GOVERNMENT IS ALSO SEEKING TO RAISE EXPORT TAXES.

### Processing requirements amended

The processing requirement for a number of ores have been adjusted. As long as the processing requirements are met, the ores can be exported. The most significant amendment is the lowering of the processing requirement for copper concentrate. Under the 2014 regulations, copper ore would need to be processed into copper cathodes of 99.9% purity. Miners will now be allowed to export copper concentrate containing at least 15% Nickel. This allows Indonesia's largest copper exporters, Freeport McMoRan Copper and Gold and Newmont Mining (who together account for 97% of Indonesia's copper exports) to benefit from the

amendments, since their copper concentrate already exceeds the 15% minimum requirement.

The requirements for nickel pig iron has been lowered to 4% (previously 6%).

However, it is still debated if these amendments are temporary or not. Some sources suggest that the amendments will end in 2017, when it might be required for all ores to be processed in Indonesia before being exported.

Although some processing requirements have been amended, others have not. Most notable among these are bauxite and nickel matte. An overview of the processing requirements is set out at the bottom of this alert.

## Committed mining companies allowed to continue exports

Mining permit holders that can demonstrate that they are committed to building processing capacity, will be temporarily allowed to continue exports. Reportedly, 66 companies potentially qualify for such an exemption. The status of these plants range from awaiting approval of environmental impact studies to near completion. It seems that the Indonesian government reviews this on a case by case basis. There are no publicised regulations setting out the criteria or the required timelines for completion at this moment in time.

## Increases in export taxes

While certain relief is now available, at the same time the government has announced that it will increase export taxes on ore. According to plans, the current levels of predominantly between 20 to 25% are set to rise to 60% before the end of 2016. The taxes will be raised in increments and is said to be higher if the purification levels are lower.

## Final notes

The government has allowed for some relief under the new Indonesian ban on the export of ore. At the same time, the period that this will last is unclear, export taxes may be raised in return and further regulations may be issued.

It should be noted that the export ban does not apply to coal.

It is also worthy to note that elections for a new parliament and president will be held in Indonesia, starting in April.

## MORE INFORMATION

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| Ore   | Processing Requirement |
|---|------------------------|
| Bauxite   | as 90% CGA or 98% SGA  |
| Chromium  | 99%                    |
| Chromium alloy  | 60%                    |
| Copper concentrate                                    | 15%                    |
| Ferro manganese                                       | 60%                    |
| Ferro nickel  | 10%                    |
| Gold  | 99%                    |
| Iron ore concentrate (hematite, magnetite and pyrite) | 62%                    |
| Lateritic iron  | 51%                    |

| Ore                   | Processing Requirement |
|-----------------------|------------------------|
| Lead concentrate      | 57%                    |
| Manganese concentrate | 49%                    |
| Manganese silica      | 60%                    |
| Nickel matte          | 70%                    |
| Nickel pig iron       | 4%                     |
| Pig iron              | 90%                    |
| Silver                | 99%                    |
| Sponge iron           | 75%                    |
| Tin metal             | 99.9%                  |
| Zinc concentrate      | 52%                    |

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