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Natural Resources

29 **November** 2013

China Machinery and Engineering Corp. invests US$700 million in Serbian coal

Serbian state-owned power utility company EPS has signed a US$715 million deal with China Machinery and Engineering Corp. (**CMEC**) to build Serbia's first new coal fired power plant in 23 years.

Serbia generates two thirds of its electricity from ageing coal-fired plants and the remainder from hydro power. It urgently needs to upgrade its energy infrastructure to meet rising demand. The 350-megawatt plant is expected to operational in 2019. The deal also provides for the expansion of the nearby Drmno lignite coal mine. (Sources: mining.com 20 November 2013 and Reuters 5 November 2013)

Global steel production rising

The World Steel Association (WSA) has reported that global steel production rose 6.6% in October compared to the same period last year. China recorded growth of 9.2% in October to 65.1 million tonnes compared to last year, while Japan's production increased 7.7% to 9.5 million tonnes.

WSA data also showed healthy growth outside Asia with U.S production up 8.7% to 7.4 million tonnes, and in the European Union, production increased 4%, led by a surprising 23.9% output boost in Spain and a 17.9% increase in Britain.

Steel production is a key indicator of activity in global industry and iron ore, the key steelmaking ingredient, is the second most traded commodity around the world behind crude oil. (Sources: mining.com 20 November 2013 and Reuters 5 November 2013)

Eni to sell stake in Russian gas fields

Italy's Eni SPA (**Eni**) has said it intends to sell its stake in gas fields in Russia's Yamal Peninsula for $2.94 billion to Yamal Development (**Yamal**), a 50-50 joint venture between OAO Gazprom Neft and OAO Novatek. Yamal will acquire Eni's 60% equity stake in Arctic Russia BV, which owns 49% of the SeverEnergia joint venture, which holds four licences for the exploration and production of hydrocarbons in the region of Yamal Nenets. As a result of the transaction Yamal's effective share in SeverEnergia will increase to 80.4%. (Source: OGJ Online, 21 November 2013).

LME eyes launch of Yuan-priced contracts via its Hong Kong platform

The London Metal Exchange (**LME**) plans to introduce contracts denominated and settled in Renminbi (**Yuan**) via its Hong Kong platform.

The Hong Kong Exchange and Clearing Ltd (**HKEx**) which owns the LME, also plans to launch iron ore and coal products in Asia. LME Chief Executive Garry Jones told an industry conference in Shanghai that the LME was "looking to leverage HKEx's expertise in Asia and proximity to China to offer Yuan-priced metal products and new contracts".

The LME's clearing arm is set for launch in September 2014, soon after which the exchange plans to accept the Yuan as collateral for its dollar-denominated contracts. In June 2013 the LME signed an agreement to explore the prospects of collaboration with the China Beijing International Mining Exchange. (Source: Reuters 20 November 2013)

Fosun to invest in US oil and natural gas

The Shanghai-based Fosun Group (formerly the Shanghai Fosun High Technology (Group) Co.) (**Fosun**) a privately held conglomerate has announced plans to invest in the US oil and natural gas sector. Fosun's CEO Liang Xinjun said the investment is the company's first foray into the oil and gas sector.

Mr. Liang Xinjun said Fosun had been considering investing in upstream energy businesses in the US for three or four years. Up until now Fosun's investment focus has been on real estate, medical services, insurance, media, steel and mining.

Fosun's strategy is to take minority positions in foreign projects putting its trust in local management strong and avoiding conflict. (Source: China Daily 20 November 2013)

Thailand to liberalize onshore natural gas distribution by mid-2014

Thailand's Energy Regulatory Commission (ERC) has announced that the onshore market for distribution of natural gas in Thailand will be liberalised by mid-2014, the country's said Friday. New ERC regulations will enable third-party distribution of gas in Thailand, which is currently under the sole distribution of state-controlled PTT Public Company Limited (PTT). The ERC is an independent body whose regulations do not require approval from ministries or other authorities before being enacted.

The new regulation will not apply to offshore distribution of natural gas as ERC's regulatory role is restricted to onshore activities. This means PTT will retain its effective purchasing monopoly whereby it buys from local offshore gas producers and utilises its 2,198 km (1,365 mile) offshore pipelines for distribution. PTT has been the sole distributor of offshore gas since Thailand's initial investment in subsea pipeline construction in 1981, and while access to its offshore pipelines has not been restricted since 2001, when PTT was partially liberalised, it retains control of all aspects of the network. (Source: Platts.com 22 November 2013)

Sinosteel to attempt to revive West Australian Oakajee iron ore project

China's SinoSteel Corporation (**SinoSteel**) has stated it will attempt to revive the stalled Oakajee iron ore project in Western Australia. To date Sinosteel has invested AUS$1.4 billion into the project but delays in building infrastructure and increasing costs have brought the project to a halt. Earlier this year Japan's Murchison Holdings and the Mitsubishi Group stopped development of a port near Geraldton which would have serviced the Oakajee project. SinoSteel mineral resources' deputy director WenLiang Pan has said that without rail and a deep water port near Geraldton, the project cannot advance. (Source: **Courier Mail 23 November 2013**)

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