Charltons - Natural Resources Newsletter - 02 May 2014

[online version](http://www.charltonslaw.com/china-opens-beijing-to-direct-gold-imports/)

# Natural Resources Issue 12

## HKEx to launch its first Asia commodities contracts

Hong Kong Exchanges and Clearing Limited (**HKEx**) have announced that it plans to launch its commodities business with four futures contracts that will be traded in its derivatives market. The four futures contracts are:

* London Aluminium Mini Futures;
* London Zinc Mini Futures;
* London Copper Mini Futures; and
* API 8 Thermal Coal Futures

HKEx aims to introduce the contracts later this year, pending regulatory approval and market readiness.

HKEx stated that the rationale behind the new business is to meet the needs of the industry in Asia and to provide currency convenience through contracts in RMB.

The new business is a further step to expand HKEx’s commodities business following its acquisition of the London Metal Exchange (**LME**) in 2012.

### Basic market information

The following table contains the basic market information provided by HKEx in relation to the commodities covered by the proposed futures contracts:

**Aluminium**

**Copper**

**Zinc**

**Thermal Coal**

**Major Users**

Construction

Packaging

Transportation

Automotive

Construction

Electronics

Automotive

Construction

Automotive

Batteries

Electricity

**Consumption in China as a Percentage of World Consumption**

45%

44%

44%

45%

**Year-on-year Growth in 2013**

8%

11%

11%

5%

### Key contract specifications

All four contracts will be traded on the Hong Kong Futures Exchange Limited (**HKFE**) and cleared through HKFE Clearing Corporation Limited. They will all be monthly cash-settled futures contracts. The key contract specifications which are subject to regulatory approval are summarised in the table below.

**London Aluminium Mini Futures**

**London Zinc Mini Futures**

**London Copper Mini Futures**

**API 8 Thermal Coal Futures**

**Underlying Commodity**

High Grade Primary Aluminium as defined in the LME Rules

Special High Grade Zinc as defined in the LME Rules

Copper – Grade A as defined in the LME Rules

API 8 Thermal Coal Index

**Contract Size**

5 tonnes

200 tones

**Trading and Settlement Currency**

RMB

US dollar

**Contract Months**

Spot Month and the next eleven calendar months (monthly contracts)

Spot Month and the next twenty-three calendar months (monthly contracts)

**Trading Hours**

9:00 am to 4:15 pm (day trading session) and 5:00 pm to 1:00 am (after-hours trading session)

8:00 am to 4:15 pm (day trading session) and 5:00 pm to 1:00 am (after-hours trading session)

**Trading Platform**

Hong Kong Futures Automated Trading System (HKATS)

**Tick Size**

RMB 5 / tonne

RMB 10 / tonne

USD 0.01 / tonne

**Last Trading Day**

Two business days before the 3rd Wednesday of the spot month

The last Friday of the Contract Month

**Final Settlement Price**

Official Settlement Price determined and published by the LME on the Last Trading Day

The monthly average API 8 Index published in the Argus/McCloskey’s Coal Price Index Report on the last Friday of the expiring Contract Month

**Settlement Method**

Cash-settled

**Holiday Schedule**

Follow HKEx holiday schedule

(Source: [www.hkex.com](http://www.hkex.com), 22 April 2014)

## India’s top court lifts iron ore mining ban in Goa

India’s Supreme Court has lifted a ban on iron ore mining in the western state of Goa, but has limited extraction to 20 million tonnes per year. Miners will also need to renew leases with the Goa government. All 90 iron ore mines in Goa were shut down after a local Government-backed inquiry in 2012 alleged that mining operations were illegal and lacked the requisite environmental permission to operate.

The local Government claimed the state lost nearly US$6bn (£3.75bn) due to illegal mining. The ban in Goa followed a similar ban in the southern state of Karnataka in 2011. According to some estimates, those restrictions have cut India’s iron ore exports by 85% or 100 million tonnes over the past two years. Mining operations are expected to recommence after the monsoon which typically lasts from June to August. The Supreme Court has also asked an expert panel to study the environmental impact of mining operations and to provide its final recommendation on the annual cap on extraction within six months.

(Source: [www.bbc.com](http://www.bbc.com), 22 April 2014)

## China opens Beijing to direct gold imports

China has started to allow the direct importation of gold into Beijing. Until now, China’s gold imports have primarily come via Hong Kong. Gold is also imported via Shenzhen and Shanghai. However as China does not publish its bullion trade information, data available from Hong Kong has been traditionally used to estimate China’s gold imports.

Gold makes up little more than 1% of the PRCs US$3.6 trillion in reserves compared to more than 70% for the United States, which holds physical gold reserves of 8,166 tonnes. China overtook India to become the world’s top importer of gold bars, coins and jewellery in 2013 with imports reaching 1,065 tonnes, up from 807 tonnes in 2012.

In addition to being the world’s biggest consumer of bullion, China is also the world’s largest source of mined gold. Over the past decade, production has more than doubled from 217 tonnes to 437 tonnes.

(Source: [www.mining.com](http://www.mining.com), 21 April 2014)

## Caterpillar to sell its Rantigny plant in France

According to local media reports New York listed Caterpillar Inc., the world’s largest maker of construction and mining equipment is planning to close and sell its plant in Rantigny, France. The facility, which employs 244 people, produces equipment for road paving, including compactors, planers and pavers. Media reports state the firm will relocate two of the three production lines to the U.S, but will temporarily continue to make universal or multipurpose machinery in Rantigny, while seeking for a buyer for this sub-division. Over the past year, Caterpillar has closed or announced plans to close plants in West Virginia, South Carolina, and Toronto. In 2013 Caterpillar also announced plans to cut 1,400 jobs at a plant in Gosselies, Belgium.

(Source: [www.mining.com](http://www.mining.com), 21 April 2014)

## CNPC launches project to lift oil production in China’s northeast

China National Petroleum Corporation (**CNPC**) is implementing a pilot project in an attempt to halt declining production from oilfields in the north east of China. CNPC hope to attract additional capital without issuing more debt.

As part of the pilot programme China Petroleum and Chemical Corporation (more commonly known as Sinopec), the nation’s second-largest oil company, announced it would sell a 30% share in its retail arm. CNPC will grant more autonomy to local managers and allow them to keep a great proportion of revenues from additional production at the Jilin and Liaohe oilfields which accounted for less than 12% of the domestic crude oil output of PetroChina Company Limited, the wholly owned subsidiary of CNPC, in February 2014 down from about 14% in 2009.

In 2013 CNPC found itself at the centre of an extensive corruption probe which focused on the company’s subcontractors, many of whom were found to be connected to local government officials or powerful families in the ruling Communist party.

(Source: [www.ft.com](http://www.ft.com), 22 April 2014)

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