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Natural Resources **October** 2014

HKEx Group and China Merchants Group signed MOU

On 22 October 2014, Hong Kong Exchanges and Clearing Ltd (**HKEx**), the London Metal Exchange (**LME**), LME Clear Ltd, China Merchants Group Ltd (**CMG**) and China Merchants Securities Co. Ltd (**CMS**) signed a memorandum of understanding (**MOU**) in relation to a strategic alliance concerning product development and services for market users. The signatories to the MOU will cooperate to develop new products and services to complement their existing businesses which will include examining the feasibility of establishing LME listed warehouses, by leveraging the unique strength of CMG in the logistics and warehousing sector in China and the strategic role of LME as the world's leading base metals trading marketplace as well as the provision of cross-border commodity derivatives products. The signatories have also agreed to support other initiatives such as the globalisation of Renminbi (**RMB**) and to reinforce the strategic proposition of London as a key offshore RMB centre. (Source: www.lme.com, 23 October 2014)

Vale closes to becoming world's largest nickel producer

New York and Hong Kong listed VALE S.A (**Vale**) has announced that it has increased nickel production by 16% to 72,100 tonnes in the third quarter 2014. Vale's total output for the 9 months ending 30 September 2014 was 201,400 tonnes. It expects to produce 289,000 tonnes by the end of 2014, a figure higher than that predicted by MMC Norilsk Nickel, the world's largest producer of the metal. (Source: www.mining.com, 3 October 2014)

Statoil takes on offshore operatorship in Australia

Statoil ASA (**Statoil**) has been awarded a 100% equity share in a large exploration permit (**WA-506-P**) located in the prolific Northern Carnarvon Basin on the Northwest shelf of Australia. This is Statoil's third asset in Australia, adding to the onshore operatorship in the Northern Territory's South Georgina basin and four BP-operated offshore permits in the Great Australian Bight. WA-506-P covers an area of more than 13,000 square kilometres, situated 300 kilometres off Western Australia in water depths of 1,500-2,000 metres. The permit has been awarded to Statoil by the National Offshore Petroleum Titles Administrator pursuant to the 2013 Offshore Petroleum Exploration Acreage Release. Statoil has committed to collect 2,000 line kilometres of 2D seismic and 3,500 square kilometres of 3D seismic data within three years. Based on their analysis of this information, Statoil will decide on further steps. Other parts of the Northern Carnarvon Basin have already proved large volumes of gas. The region has multiple fields in production and established infrastructure. (Source: www.ogfj.com, 24 October 2014)

BP sets to develop Indonesian LNG project as imports set to surge

Indonesia has awarded BP Plc. a contract to develop a US$12 billion expansion of the Tangguh liquefied natural gas (**LNG**) project in West Papua province. It is the largest domestic LNG deal in Indonesia's history. The state-owned electricity distributor Perusahaan Listrik Negara has agreed to purchase an annual 1.5 million tonnes of the fuel from the Tangguh project from 2015 to 2033. (Source: www.energyasia.com, 27 October 2014)

Eni signs two PSCs for offshore exploration in Vietnam

Italian multi-national oil and gas company Eni S.p.A. (**Eni**) has entered into two offshore production sharing contracts (**PSC**) in Vietnam. Block 116 covers an area of approximately 5,000 sq. km in the Song Hong basin, in waters of a depth ranging from 10 to 120 meters. The PSC provides for an exploration period of seven years divided into 3 phases. Block 124 covers an area of 6,000 sq. km in the Phu Khanhbasin, in waters of a depth ranging from 50 to 2,600 meters. The PSC provides for an exploration period of seven years divided into 2 phases. Eni has a 60% stake in the block and is also the operator. Santos Vietnam Pty Ltd holds the remaining 40% share in the block. (Source: www.naturalgasasia.com, 13 October 2014)

Chinese mining group sets guidelines for overseas interaction

Chinese Government affiliated the China Chamber of Commerce for Minerals, Metals and Chemicals Importers and Exporters (**CCCMMCI**), has introduced standards applicable to member companies concerning labour rights, environmental protection and community relations. CCCMMCI member companies operating overseas should take these issues into account to reduce their investment risks and avoid directly or indirectly causing harm in the regions in which they work. The guidelines were developed in collaboration with the German Federal Enterprise for International Cooperation and with input from the Organization for Economic Cooperation and Development (**OECD**) and Global Witness, an advocacy group that focuses on natural resource management. The initiative is part of a wider push for best practices across Chinese industries. The textile, rubber and forestry industries have developed or are in the process of developing similar guidelines. The guidelines reflect international standards like the United Nations Security Council's recommendations and the OECD's framework for due diligence in supply chains — ensuring that the exploitation and trade of resources from conflict-affected and high-risk areas do not end up fuelling human rights violations. (Source: www.nytimes.com, 24 October 2014)

China to reintroduce tariffs on coal, hitting mining stocks

China, the world's top coal importer, has announced it will re-impose import tariffs on coal. A tariff of 3% will be imposed on anthracite coal and a tariff of 6% on coking coal. The announcement had a negative effect on mining stocks around the world. The policy change follows intense lobbying by the domestic coal industry, which wants preferred access to the market, especially China's steel-making industry. China removed all tariffs on coal in 2007. Australia and Russia are the two largest suppliers of coal to China. Indonesia, another big supplier, is exempt from the tariffs because it has a free-trade agreement with China. (Source: www.cbc.ca, 9 October 2014)

India's ONGC plans US$180bn spending spree

India's Oil and Natural Gas Corporation Ltd (**ONGC**) has announced it plans to launch an aggressive global acquisition spree of approximately Rupees11 trillion (US$180bn). The investment is expected to challenge overseas expansion by Chinese state-owned companies and increase production by approximately 700% by 2030. ONGC proposes to raise its international oil and gas output from 8.5m tonnes of oil and oil equivalent in 2013 to 60m tonnes by 2030 as India prepares to meet projections of rapidly rising domestic energy demand. The expansion is likely to see ONGC participating in almost all of the world's energy-producing regions. ONGC's plans have been helped by recent economic reforms launched by India's Prime Minister Narendra Modi, who has moved to deregulate diesel controls and increase natural gas prices, boosting energy companies' share prices. The Indian Government has a 69% share in ONGC. It plans to sell a 5% share to raise approximately US$3bn to initially fund ONGC's expansion plan. (Source: www.ft.com, 26 October 2014)

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