

Nickel ore export ban story

Advanced Indonesia export ban threatens China's nickel ore, NPI shortage in 2020
SHANGHAI, Sep 2 (SMM) – China's nickel ore market will flip to a deficit in 2020 as major supplier Indonesia brought forward the ban on mineral exports to December 31, from the previously scheduled 2022.

Indonesia's Energy and Mineral Resources Ministry said on Friday August 30 that the country will ban exports of nickel ore with Ni content below 1.7% from the end of December. SMM confirmed with traders and Indonesian miners that they already received the notice and any unexpired quota will become invalid by December 31.

The announcement means no nickel ore will be shipped out of Indonesia in 2020, including ore with a grade above 1.7%, as the country has been forbidding the export of high-grade nickel ore in the first place since 2014.

SMM assessed China's nickel ore imports at 500,000 mt in metal content in 2020 after the ban, far from meeting domestic demand. The imports include some estimated 50.56 million wmt from the Philippines, the country's record-high exports struck in 2014, some forward arrivals of 1.38 million wmt from Indonesia, about 4 million wmt from New Caledonia, and 500,000 wmt from Guatemala. Over the years, China's lateritic nickel ore supply completely relied on imports, with materials from the Philippines and Indonesia accounting for over 90% of the total imports and products from Guatemala and New Caledonia taking up the rest.

As the largest lateritic nickel ore supplier to China in 2012-2013, Indonesia accounted for over half of the ore imports in China. But imports of Indonesian ore shrank steeply close to zero after Indonesia initially banned ore exports in January 2014, with only some 100,000 wmt/year of ferrous ore with low nickel content being moved to China.

In 2017, the original export ban was lifted for certain minerals, or ore with a grade below 1.7%, allowing miners who were building smelters to export unprocessed mineral until January 2022. This resumed China's imports of nickel ore from Indonesia in 2017-2019 with growing quotas being granted. In 2018, some 19.66 million wmt of lateritic nickel ore originated from Indonesia entered China, with 18.92 million wmt of middle-grade ore with 1.65% Ni and 740,000 wmt of low-grade ore.

China's imports of lateritic nickel ore in 2012-2019E



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Imports of Indonesian lateritic nickel ore stood at around 17.16 million wmt in January-August this year. While there remained some 38.61 million wmt of unexpired quotas by the end of August, most of them have already been used and the available quotas are estimated at 15 million wmt. Imports from Indonesia could amount to 32.65 million wmt if the remaining quotas are used up. But given a monthly shipment capacity of 2.75 million wmt from Indonesian mines, imports may only reach 28.87 million wmt for the whole 2019.

China's imports of Indonesian nickel ore in Jan-Dec

Unit: 1,000 wmt



Unlike the period after the original Indonesia ban in 2014, nickel ore supply in China is expected to face a great shortfall in 2020 due to resource depletion in another key supplier the Philippines. Chinese downstream producers and traders stockpiled feedstock before the Indonesian export ban in 2014. This, together with expanding supplies from the Philippines, offset the impact of import disruption and underpinned NPI production in China.

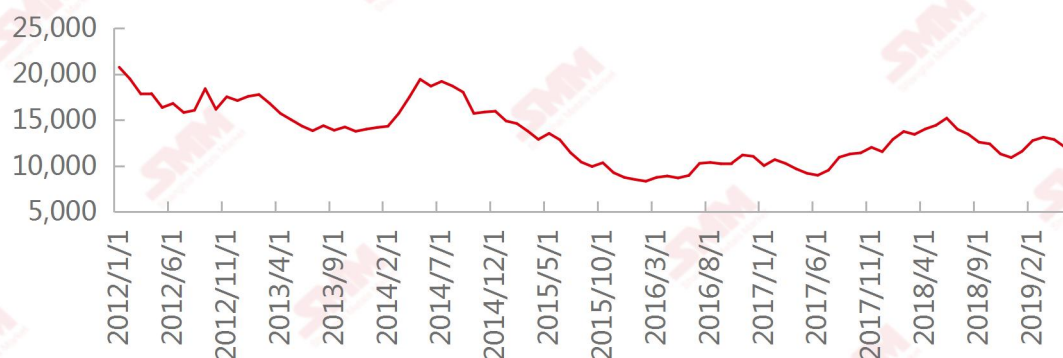
As ore reserves in the Philippines dwindled after its previous export rally, the country's top high-grade nickel ore supplier, SR Languyan Mining Corp, will stop mining in October. This miner is located in Tawi-Tawi region, which suffered from resource depletion and degradation. Another two mines in the region also face potential shutdown between October and November.

China's nickel ore supply-demand balance in 2012-2018

Unit: 1,000 mt in metal content



Average closing price of LME nickel (unit: \$/mt)



In the first half of this year, China imported some 15.5 million wmt of lateritic nickel ore from the Philippines, up 6% on the year, with imports of low-grade ore rising 49%. Imports of medium- to high- grade ore from the Philippines, however, slid 10% year on year, squeezed by a greater market share of Indonesian materials.

Current record high production of NPI in China keeps demand for nickel ore at highs. This may also account for ore supply shortage next year even as minerals from the Philippines enter China as much as possible.

China's NPI production in 2012-2019



An addition of ore supply in China could only be counted on the new export quotas of French mining company Eramet. The miner obtained 4 million wmt of nickel ore export quotas at its SLN nickel project in New Caledonia in April. Some 1.5 million wmt of quotas could be fulfilled this year, with the rest being delivered by the middle of 2020. This will likely add some 2.5 million wmt of nickel ore supply to China next year, SMM estimates.

NPI supply in China will also face a deficiency of around 100,000 mt in metal content in 2020, even as Indonesian nickel will be moved to China in the form of NPI after the ore ban.

Optimistic estimates for China's NPI production in 2020 stood at 500,000 mt in metal content, with that in Indonesia at 530,000 mt. This will be unable to meet a combined demand for the stainless steel

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ingredient of 1.13 million mt, including 900,000 mt in China and 230,000 mt in Indonesia, SMM assessed.

Estimated NPI demand from stainless steel in China, Indonesia in 2020

	#300 series in China	#200 series in China	#300 series in Indonesia
Production (1,000 mt)	14627	11139	3300
Nickel grade	8.50%	1.20%	8%
Demand for nickel (1,000 mt in metal content)	1243	134	264
Proportion of nickel demand met by NPI	65%	65%	90%
Demand for NPI (1,000 mt in metal content)	808	87	238
Total demand for NPI	1133		

Source: SMM

NPI production in China, Indonesia in 2012-2020

