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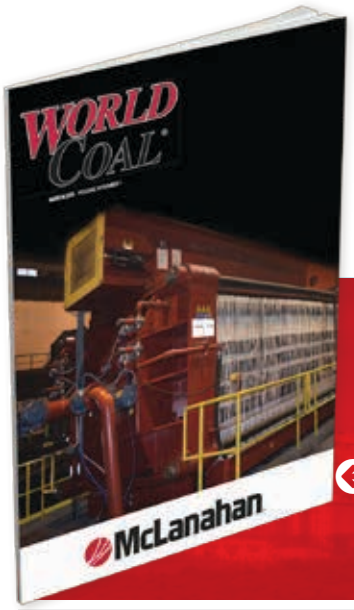

This month's front cover

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The clean coal industry is used to ups and downs, but last year it finally seemed to be heading in the right direction with the completion of the world's first commercial-scale carbon capture and storage (CCS) project. The retrofit of SaskPower's Boundary Dam coal-fired power plant with post-combustion CCS was heralded as "a momentous point" for the technology by Maria van der Hoeven, executive director of the International Energy Agency.

"CCS is the only known technology that will enable us to continue to use fossil fuels and also decarbonise the energy sector," continued van der Hoeven. "As fossil fuel consumption is expected to continue for decades, deployment of CCS is essential."

Then last month came the downer, with the US Department of Energy (DOE) scrapping the signature FutureGen 2.0 project. The decade-old project had aimed to upgrade a shuttered coal-fired power plant in Meredosia, Illinois, with oxy-combustion technology to capture 1.1 million tpy of carbon dioxide. But with time running out to commit and spend its federal funding, the DOE decided the project wasn't going to meet the deadlines and pulled its support.

The decision was widely criticised by supporters of the project, with Gregory Boyce, Chairman and CEO of Peabody Energy saying that it made "no sense to pull the plug". The American Coalition for Clean Coal Energy (ACCCE) was more strident, calling the decision a demonstration of President Obama's "hypocrisy towards the American people and his bias against advanced clean coal technologies […] what makes this action even more disgraceful is then-Senator Obama's full-throated support for FutureGen in 2006."

Since the FutureGen announcement there has been some further good news with the successful completion of the Callide Oxyfuel Project's industrial-scale demonstration phase. According to Project Director, Dr Chris Spiro, the results of the demonstration "show [the technology] is ready for commercial application [...] The future for this technology is very exciting".

If the news from the past few months has taught us anything, it is that the development of CCS for coal-fired power plants remains a deeply frustrating endeavour. There is progress among the setbacks: the technology has been proven and the CCS industry is about to begin its most active period of construction. But as Brad Page, CEO of the Global CCS Institute argues in this month's Industry View (p. 10), there remains a need for governments around the world to acknowledge its critical role in capturing CO_2 emissions.

Beyond government support, the coal industry also needs to rally behind the development of CCS to ensure that its application to coal-fired power plants remains at the forefront of its development. If Boundary Dam was a good beginning, the FutureGen car crash comes as a reminder that nothing can be taken for granted. The industry must not forget that its future with CCS is far brighter than that without.

Coal News

AUSTRALIA Rio Tinto restructures its coal business, while Glencore cuts production

Anglo-Australian miner, Rio Tinto, has announced a significant restructuring to its business as the company continues to feel the effects of low coal prices. Under the plans, Rio Tinto Energy – the product group that housed its coal and uranium assets – will be broken up. Its coal business will be merged with its copper business to form a new Coal and Copper group, while uranium will join the Diamond and Minerals group.

The company's current Copper CEO, Jean-Sébastien Jacques will lead the Coal and Copper Group, with Alan Davies continuing his leadership of the Diamonds and Minerals group. Harry Kenyon-Slaney, the chief executive of Rio Tinto Energy, will leave the company.

The Aluminium and Iron Ore product groups will remain unchanged, leaving the company with four operating divisions. "These changes are part of our continuing business transformation to reduce costs and improve effectiveness as part of an ongoing optimisation programme," Rio Tinto CEO, Sam Walsh, said in a press release.

Rio Tinto Energy has struggled amid the prolonged downturn in coal prices, which reduced earnings by US$454 million in 2014. Overall, the Energy group made an underlying loss of US$210 million last year as coal production dropped 4%, despite record production at its Hail Creek, Hunter Valley and Bengalia operations. "In 2014 thermal and coking coal prices continued the declining trend that began in 2011 […] reaching five and seven year lows, respectively," the company said on the release of last year's results. "The low price environment resulted in a large share of industry production being cash negative."

Despite this, Walsh was keen to emphasise that the coal business remained a key part of Rio Tinto's strategy: "Our coal and uranium assets remain a part of our world-class portfolio," he said. "We will work hard to ensure there is a smoth transition for our colleagues in the Energy product group and continue to maximise efficiencies in our coal and uranium operations."

Walsh also thanked Kenyon-Slaney for his work at the company over the past 25 years. The new business structure comes into effect immediately.

The restructuring was not the only blow to the Australian coal industry last month. On the same day as the Rio Tinto announcement, Glencore said it would reduce its 2015 coal production by 15 million t to "more closely align [its] coal output with current customer demand."

"Production iniatives will occur at a number of sites," the company said in a statement, including some underground roster changes, the reduction of some opencast mining activities and changes to the product portfolio with the aim of tailoring volumes and qualities to market demand.

The announcement may not have come as too much of surprise: the company had already implemented a temporary production shutdown across its Australian operations for three weeks in December, cutting output by about 5 million t.

Glencore is Australia's largest coal producer with 13 mining operations across New South Wales and Queensland. Its thermal and metallurgical coal output totalled 80 million t in 2013. About 120 jobs will be lost as part of the production scaleback.

The Rio Tinto and Glencore announcements come as Walsh continues to dismiss any possibility of a tie up between the two companies. Last year, the Swiss company approached Rio Tinto over a possible merger and, under UK takeover rules, could make another approach from April. But speaking recently at the Royal Institute for International Affairs (Chatham House) in London, Walsh said it just "isn't going to happen."

"The media is infatuated with this. But as I move around investors, investors say: 'I don't get it, why are you giving this any air because it actually isn't going to happen'," Walsh said. "Part of the reason is value but part of the reason is the anti-trust and people who collect tax and what have you, they're simply not going to let it happen," he said.

He also took an not-too-subtle swipe at BHP Billiton's much-hyped spin off of assets to form a new company, South 32, which Andrew Mackenzie, its CEO, calls a "key differentiator".

"Right now there is a lot of focus on one of my competitors who is looking at spinning off some of their assets," Walsh said. "Well, that's terrific, but if you look at our track record we've actually divested US$17 billion of assets over the past five years, so the very process they are going through now, with lots of fireworks and neon lights, we've already been through."

BHP Billiton recently announced record production of metallurgical coal in the six months to December 2014 of 26 million t, while its thermal coal output dropped 3% to 36 million t. Underlying earnings fell by US$332 million to US$178 million as lower average realised prices hit earnings by US$715 million.

Coal News

DIARY DATES

ICS Singapore 2015
17 – 20 March 2015
Singapore
www.coaltrans.com/icssingapore

Coaltrans China
16 – 17 April 2015
Beijing, China
www.coaltrans.com/china

Colombian Mining & Energy Conference
16 – 17 April 2015
Medelln, Colombia
www.alame.org

ELECTRIC POWER
21 – 23 April 2015
Rosemont, US
www.electricpowerexpo.com

Coal Prep International 2015
27 – 29 April 2015
Lexington, US
www.coalprepshow.com

Austmine 2015
19 – 20 May 2015
Brisbane, Australia
www.austmine2015.com

Coaltrans Poland
25 – 26 May 2015
Gdansk, Poland
www.coaltrans.com/poland

Asia Mining Congress 2015
25 – 27 May 2015
Singapore
www.terrapinn.com

Aachen International Mining Symposium
27 – 28 May 2015
Aachen, Germany
www.aims.rwth-aachen.de

Coaltrans Asia
7 – 10 June 2015
Bali, Indonesia
www.coaltrans.com/asia

Longwall USA 2015
16 - 18 June 2015
Pittsburgh, US
www.longwallusa.com

Mining on Top: Africa
24 - 26 June 2015
London, UK
www.miningontop.com/africa

INTERNATIONAL A round-up of global project developments

A round-up of news from coal projects around the world.

Australia

Rio Tinto

Rio Tinto's Bengalla mine extension project has been approved by the New South Wales (NSW) Planning Assessment Commission, allowing the extraction of an additional 316 million t of coal at the site over a period of 24 years beyond the current closure date of 2017.

Yancoal

NSW Planning Assessment Commission also approved the expansion of Yancoal's Moolarben coal mine in the Upper Hunter Valley. The Moolarben Stage Two project will produce up to 16 million tpy of ROM coal for a period of 24 years, extending the life of the operation and potentially creating up to 120 new full time jobs. The approval will enable the development of two additional underground mining areas and a new opencast pit to be developed to the east of the existing operations.

Botswana

Shumba Coal

Shumba Coal has announced that it has entered into a binding sale and purchase agreement with Daheng Group Botswana for the acquisition of the Mabesekwa prospecting licence in the northeastern part of Botswana, 60 km southwest of the town of Francistown and 40 km west of Tonota-Shashe. The estimated in-situ JORC resource is 844 million t, predominantly contained in one coal seam, with an average seam thickness >18 m and a flat and consistent profile. Coal is found at an average depth of 50 – 60 m and is to be accessed by opencast mining.

Mozambique

Coal India

Coal India is likely to scrap its maiden overseas coal production project as the deposits in the acquired blocks are "not good enough to be called coal," a top company executive told the *Economic Times*, an Indian newspaper.

South Africa

Centaur Holdings

Centaur Holdings has bought two coal prospecting rights, covering the De Roodepoort 435 farms in the Ermele district of Mpumalanga in South Africa, through one of its South African subsidiaries owned by Centaur Mining.

US

Paringa Resources

Paringa Resources has secured new strategic leases within its Buck Creek mining complex in western Kentucky. The company now controls a total lease area of 33 000 acres (13 557 ha.), comprising 402 individually leased mineral tracts.

UK

Cluff Natural Resources

Cluff Natural Resources (CLNR) has announced an initial JORC-compliant exploration target of 384 – 640 million t of metallurgical coal on its Cumbrian exploration licences in the nortwest of England. The exploration target comes in addition to the company's existing underground coal gasification assets in the area. CLNR is now in the process of amending the terms of its existing licences to allow further evaluation of the metallurgical coal potential.

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THE STORIES THAT ARE MAKING THE NEWS ON www.worldcoal.com

COAL

North Dakota senator to push for clean coal legislation (again)

Senator Heidi Heitkamp of North Dakota is to re-introduce legislation to encourage the development of clean coal technologies by offering financial incentives to utilities that develop carbon capture and storage programmes.

MINING

Scottish coal mine supports local business

The Rusha opencast mine in West Lothian, Scotland, is providing a substantial boost to the local economy with its owner, Banks Mining, revealing it is spending close to £4 million/yr with Scottish central belt suppliers.

HANDLING

Northern Railways achieves important rail milestones

Aspire Mining has announced that its Mongolian rail infrastructure subsidiary, Northern Railways, has received two important signoffs from the Mongolian Government necessary to progress rail concession negotiations with the Mongolian government.

POWER

Siemens to supply generator units to Kazakhstan power plant

Siemens has received an order for two 660 MW SST5-6000 steam turbines for the Balkhash coal-fired power plant in eastern Kazakhstan, as well as two SGen5-3000W generators, including control systems and all auxiliary and ancillary systems.

PRODUCT NEWS

RPM's GeoGAS receives NATA accreditation

RungePincockMinarco's GeoGAS division has successfully expanded the scope of its accreditation to include in-house testing methods for proximate analysis and relative density testing of coal samples undergoing gas content testing.

SPECIAL REPORTS

Playing the long game Down Under

It will require boldness and careful cost control, but there is a valid argument that now is the time for junior miners to invest in coal projects ahead of the next upswing in prices, writes Tim Hands of Grant Thornton Australia.

Industry View

LOW CARBON ENERGY: A NEW REALITY Brad Page, Global CCS Institute, Australia

Global consumption of fossil fuels continues to increase, driving growth in carbon dioxide (CO_2) emissions. Indeed, the energy sector accounts for two-thirds of the world's greenhouse gas emissions. In its *World Energy Outlook 2014*, the International Energy Agency anticipates that coal and gas will remain the most important fuel sources for electricity generation for the foreseeable future. Equally, the latest report by the Intergovernmental Panel on Climate Change (IPCC) finds that carbon emissions from fossil fuels, such as coal, oil and gas are rising to record levels, not falling.

The urgency for action to reduce CO_2 emissions continues as each year passes. Most of us would agree that, however we choose to tackle climate change, we should do so at the least possible cost to the community. For that to happen, one of our essential low-carbon technologies is carbon capture and storage (CCS). The IPCC's Fifth Assessment Synthesis Report, released in November 2014, shows that CCS is a vital climate mitigation technology. Without it, the cost to avoid a global warming of more than 2°C would more than double (by 138%).

CCS can enable the power sector to produce baseload power with near to zero emissions. While the upfront CAPEX is significant, it delivers reliable long-term baseload power. It can use existing technologies, which are already low cost and proven. It can also address emissions from industrial processes, such as steelmaking and cement manufacture.

CCS technology is active, operational and viable. The Global CCS Institute's annual *Global Status of CCS: 2014* report found 22 projects in construction or operation worldwide, double the number at the beginning of the decade. The CCS industry is poised to move through its most active construction period to date, extending across a diverse range of sectors, such as iron and steel, natural gas and power. The report details nine CCS projects under construction with investments totalling billions of dollars. Eight of these are expected to become operational by 2016.

There are a further 14 large-scale CCS projects in advanced planning, including nine in the power sector, many of which are anticipated to be in a position to make a final investment decision during 2015. This further reinforces the growing confidence in the technical maturity of CCS and offers the prospect of large-scale CCS projects operating by 2020 across a range of industries, fuels and technology suppliers.

The world's first example of CCS at full scale on a coal-fired power plant went live at SaskPower's Boundary Dam facility in Canada in October, 2014. Two more CCS projects in the power sector will come into operation in the next two years in the US: the Kemper County Energy Facility in Mississippi and the Petra Nova Carbon Capture Project in Texas. Western Australia will soon have one of the world's largest CO_2 storage projects at the Gorgon offshore LNG project, with injection planned for 2016.

With large-scale CCS power projects now a reality, an important milestone in deployment of the technology has been achieved. This means that it is time to move discussion onto how CCS can best be deployed as part of a least-cost approach to climate change mitigation. We can now move on from arguments about its experimental nature or that it has not yet been applied at scale to fossil fuel power plants.

While there has been steady progress with CCS, particularly in the US, Canada and China, the challenge remains to reduce the costs of this technology. Like any technology, costs are expected to reduce significantly as second generation projects apply learning and expertise from existing projects.

We are already seeing this in action, with CCS demonstration in the power sector gaining valuable design, construction and operational experience by 'learning by doing'. Being a first-of-a-kind project, Boundary Dam's operator, SaskPower, has stated that a capital cost reduction of up to 30% is readily achievable for its next CCS project. The world's power industry is taking a close interest, particularly in how the savings, commissioning procedures and standard operations can be applied to new projects elsewhere.

The question we must ask now is: how we can meet the challenge of developing CCS into a true energy option, to be deployed at large scale?

Strong, sustainable emission reduction policies, which encourage CCS, are urgently needed. The UK is leading the way to a more equitable, market-based approach to low carbon technologies. Its scheme of contracts for difference in the electricity market supports renewables, CCS and nuclear, equitably. This approach leaves the technology choice up to individual private developers to identify the commercial opportunity based on a single contract for difference price. This approach allows investors to make rational economic choices, which deliver lower costs for the consumer.

It is critical that CCS is acknowledged for its role in capturing carbon emissions. The right policy and funding mechanisms are needed to help CCS deliver a least cost, clean energy solution for climate change.

It is clear today's progress on CCS is the product of the vision our leaders had five to ten years ago. We know the climate challenge is becoming ever more demanding. If we are to gain the benefits the next wave of projects can bring, now is the time for decision makers to make a renewed commitment to this vital technology.

Author

Brad Page is the CEO of the Global CCS Institute.

A NEW HOPE?

President Joko Widodo, in office since October 2014, was by far the preferable choice of candidate for foreign investors in Indonesia. Election rival Prabowo Subianto's belligerent stance towards investors during campaigning – blaming them for "leakages of national wealth" – had both raised eyebrows and lowered expectations for future investment opportunities. Yet Widodo's win was only a hollow victory for the country's beleaguered mining investors.

Investing in the Indonesian mining sector has the potential to be very profitable, but navigating the investment landscape is fraught with difficulties. The unpredictable regulatory environment is only part of the challenge: dealing with political personalities and vested interests is just as critical. Indonesia's emergence from the global financial crisis led to an upsurge in nationalist sentiment that both Widodo and Subianto exploited during campaigning. For the mining sector, this is a negative turn of events, as nationalism continues to manifest itself in a tightening of regulatory policy.

Any optimism from the mining sector surrounding Widodo's forthcoming tenure needs to be tempered with recognition of the challenges he will face from Indonesia's fractured politics. Without a reliable parliamentary majority, combined with Widodo's inexperience of federal politics, the new president will have to overcome significant challenges to govern effectively.

AMY GIBBS, JLT SPECIALTY LTD, UK, ASKS WHETHER INDONESIA'S NEW PRESIDENT WILL USHER IN A FRESH START FOR THE COUNTRY'S COAL MINERS.

As mayor of Solo and later the governor of Jakarta, Widodo's public appeal was as a man of the people; but in Indonesia, it is big business and the right family connections that make powerful politicians. Indeed, many in the establishment saw Widodo as a threat to hierarchy and the traditional patronage networks. Lacking ties to the country's elite and the influential private sector, Widodo's technocrat cabinet selection was a clear signal that he would stand firm on his promise not to grant political favours. A bold decision – but one that may come back to haunt him should Indonesia's business elite need to be swayed.

The new government may struggle to make rapid progress on crucial economic and political reform, which may lead to a continuation of the same issues that currently undermine Indonesia's investment environment. However, Widodo has begun laying the groundwork for what could be the biggest redistribution in decades of public spending in Indonesia. Priority number one is securing economic growth rates that exceed 6%.

One pressing matter is whether the government fuel subsidy – worth US$21 billion in 2014 – can be curtailed in order to fund infrastructure, education and health. Widodo has indicated that he will aim to tackle the fuel subsidy by raising domestic petrol prices by more than 30%. This move, however, has only been facilitated by the timely falls in international oil prices: tackling the fuel

subsidy while prices are low helps lessen the impact on consumers.

As low global prices for key Indonesian exports, such as coal and other mined commodities, continue to pressure public finances, Widodo must take measures to secure growth outside of the mining sector. Plans to boost the country's manufacturing sector will need to be revisited, while the country's infrastructure deficit must also be addressed quickly.

Indonesia remains heavily reliant on the coal mining industry, worth 17% of its GDP. With plummeting global coal prices, the government will be keen to ramp up production in 2015 in order to increase its revenue target and offset slowing demand. However, investors will be reluctant to boost volumes in the midst of a coal price slump.

In addition, Widodo will be wary of making significant mining reforms, on account of strong nationalist sentiment within the government. While keen to enforce a level playing field across the coal industry, new plans to change the regulatory environment will do little to entice investors. For example, miners must now get approvals from mining and trade ministries before exporting cargoes, which will come as another costly delay to mining firms. While positive in principal, additional layers of regulation – particularly across multiple ministries – will be a further deterrent.

Bowing to the interests of foreign mining firms during his first few months in office would be seen as an affront to voters, the political cost of which would be too high for Widodo to take so early in his presidency. As such, foreign mining investors will likely see a continuation of the cycles of volatility that have characterised the Indonesian investment environment since 1999.

15 years of regulatory volatility

After the fall of the Suharto regime in 1998, Indonesia underwent a significant fiscal and political devolution. As a result, the regulatory framework for the mining sector began to change. Since then, investors have periodically been subjected to major changes in the legal and regulatory framework.

In the late 1990s, powers for issuing mining contracts transferred from the central government to the local government, with local governors given the opportunity to issue mining permits for the areas they supervised. This legal agreement between the mining company and the government was known as a Contract of Work (CoW) and it provided a mining company with a high degree of security, as it was not subject to changes in fiscal policy or regulatory reforms. Investors flooded into Indonesia as a result.

Nine years later, the regulatory system was reformed again as a new Mining Law (Law No. 4 of 2009 on Mineral and Coal Mining) was implemented. Intended to remove the conflicts between central and local mining laws, the law peeled away layers of contractual protection. The issuance of new CoWs were replaced by mining business licences (IUP) covering exploration and production. In contrast to CoWs, IUPs were subject to changes in fiscal policy and to regulatory reforms, creating significant insecurity.

The propensity of the Indonesian government to change the regulatory rules of the game during this period derived from the country's rich natural resource base and government confidence that investment would flow irrespective of the risks. Resource nationalism had been ignited. Mining contributed 17% to Indonesia's GDP and 18% of FDI flows into the sector in 2011. While the government boasted that FDI remained strong despite changing regulation, this assumption ignored the fact that 2010 – 2011 investments were the realisation of planned CAPEX from two to three years before, rather than an indication of investor appetite in spite of regulatory volatility.

Government disputes with foreign mining investors became typified by the experiences of Churchill Mining. The clash revolved around the revocation of Churchill's East Kutai coal site licence and the loss of mining rights for volumes of coal valued at US$3 billion. In 2007 Churchill acquired the licences for East Kutai through a US$50 million investment. The year Churchill announced it had discovered the reserves, the authorities claimed Churchill did not have appropriate licencing. Churchill was not only divested of its licences, but also saw them re-awarded to Indonesia-owned Nusantra Group. That Nusantra is owned by Prabowo Subianto raises serious questions.

Tightening the screws

Investors' sense of unease was exacerbated by two further reforms that the 2009 Mining Law brought into play. Firstly, accelerated divestment required foreign shareholders in companies holding a mining production permit to divest shares until a 51% majority Indonesian ownership was achieved – within ten years of commercial production. Although the government claimed that assets would be purchased at fair market value, the capital-intensive, upfront costs of developing a mining project raised concerns that ten years would be insufficient to make an adequate return or recoup costs.

Secondly, the export of unprocessed minerals and metals, such as bauxite, nickel and iron ore, was to be banned after 12 January 2014. The central government wanted investors to add value, as investors had typically been extracting minerals and metals for immediate export. However, refining is extremely energy intensive and Indonesia had insufficient power capability in key mining locations.

Five years later, unsurprisingly, many investors had not complied. When the export ban was implemented, economic growth tumbled throughout 1Q14 and thousands of workers were made redundant, as exports valued at US$11 billion were halted. At the end of January, the government proposed legislation GR1/2014 and MoFR6/2014. This carrot-and-stick approach was implemented to accelerate compliance. Effectively, it was a further tightening of the regulatory environment.

The carrot, GR1/2014, significantly reduced the required purity levels for nickel, bauxite, chromium, gold, silver and tin before they could be permitted for export, buying investors more time to invest in smelters. The stick, MoFR6/2014, stated that semi-processed minerals

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JLT risk ratings for indonesia: risks to coal mining. Risks are rated 1 – 10, with 1 representing low risk and 10 representing high risk.

would be subject to an export duty that would escalate over three years from 20% to 60%. The regulations applied to all mining firms. Larger miners, such as Newmont Mining Corp. and Freeport McMoRan Inc., were particularly impacted and refused to pay the taxes, claiming the changes were contractual violations.

The Indonesian government succeeded in extracting extra revenue from some of its largest investors and had strong-armed them into complying with the 2009 Mining Law requirements. Yet the damage done to the reputation of Indonesia's investment environment has been severe and will take years to remedy.

Managing the risks

While Widodo has spoken of wishing to take a more conciliatory stance with mining companies, investors will not see an immediate u-turn on mining policy. Ultimately, Widodo is unlikely to overturn the ban on unprocessed metals export or the export taxes on metal concentrates. However, the president will not be able to ignore the pressure from the wider government for continued intervention in the mining sector.

Crucially, the intervention will primarily be detrimental to foreign, rather than domestic investors. Consistent with his campaign commitment to strengthening Indonesia's energy security, Widodo is expected to support the proposed cap on coal production, which is designed to contain prices in the short term and preserve capacity in the long term. Nevertheless, domestic coal companies remain incredibly influential, with many owned by politically connected families. Such companies as these are likely to use their political influence to push the government to allow modest increases and allot them to their firms. Several companies may stand to benefit, including Adaro Coal, Bumi Resources, Bayan Resources and Indika Energy. Constrained by a parliament with strong nationalist bias, yet recognising the role that miners have to play in bolstering government revenues, Widodo will have to walk a difficult tightrope in the short term.

For foreign mining investors, the operating risk environment is unlikely to change overnight and political risks – particularly in respect of contractual agreement repudiation and expropriation – are likely to remain elevated. Mining companies with CoW and IUPS in place recognised – during the last year in particular – that these contracts do not offer suitable protection. While investors of course have a role in shaping the risk environment in which they operate, shifting regulatory policymaking and a changing legal framework creates a difficult challenge. New laws, particularly those applied retrospectively, can cause unanticipated costs that can quickly dissolve margins.

Unfortunately, Indonesia's government has proven that the regulation of the mining sector is a moveable feast. Rules that govern operations (everything from how local resources, such as water, are used, to what workers should be paid), counterparties (in respect of divestment of shares and ownership structure) and local stakeholders (investment in community projects to enhance security), could change again under Widodo's new government. Terms enshrined in existing contracts today may mean relatively little in six months' time. Investors, as has been seen with the requirement for miners to invest in domestic smelters, will be expected to bear the burden of the costs associated with compliance of new laws, which can be particularly difficult during times of suppressed commodity prices.

For Indonesia's miners, the risk environment remains complex. Security risks, such as protests, acts of terrorism and worker strikes, will continue to require a robust risk management response. The violence seen at Freeport's mining sites in the past are testament to this. Yet while experienced operators may have established measures for dealing with political violence threats to property and personnel, the last four years have proven that political risks must now remain firmly on the agenda. The next challenge is to start proactively anticipating, mitigating and occasionally transferring political risks of government interference, regulatory heavy-handedness, industry discrimination and legal flux – before these risks return again to hit the balance sheet. WC

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