

# Metal Bulletin

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## Iran's non-ferrous metal sector poised for growth as sanctions tumble

The easing of international commercial sanctions against Iran is likely to boost both the country's exports of non-ferrous metals and ores, well as foreign investment in the sector.

The Iranian Mines and Mining Industries Development and Renovation Organisation (IMIDRO) is the key government agency boosting this work and it announced on March 14 that it had signed a memorandum of understanding with the China's Sinosteel Corporation to establish an alumina production plant and aluminium factory in Iran, along with an associated power plant supplying on-site electricity.

An IMIDRO note said the alumina and aluminium plants would be established by a joint venture under an engineering-procurement-construction-financing contract with an initial annual production capacity of 1.6 million tonnes and 350,000 tonnes respectively.

On February 23, German copper manufacturer MKM Mansfelder Kupfer und Messing GmbH signed a memorandum of understanding with the National Iranian Copper Industries Company (NICICO), involving the investment of €1 billion (\$1.14bn) in Iranian mineral projects, including copper ore production.

Under the deal, MKM would help Iran develop downstream industries to obtain copper from copper cathodes. And the German company has offered to purchase 70,000 tonnes of copper cathodes from NICICO annually, according to a note from the Iranian company.

IMIDRO has long been trying to boost mineral production capacity in Iran, estimating that the country's new mineral projects proposed in the country's fifth five-year development plan (ending 2015) should have cost more than \$28 billion in investment.

But according to US Geological Survey (USGS) analysis released in June 2014, despite some foreign investment in Iran's sold mineral sector (including non-ferrous metals) in the past few years, the availability of international funding for mineral-related projects by government-controlled and private companies has been hampered, partly because of international economic sanctions, now being eased.

That said, sanctions have not been the only problem: "High inflation and the relative lack of investment in the petroleum sector" are among them, the USGS report said.

In 2012 the production of aluminium in Iran was estimated at 230,000 tonnes (plus 820,000 tonnes of bauxite), according to the USGS. Chromite production [mines output, concentrate] was estimated at 400,000 tonnes.

Copper is another key non-ferrous metal in Iran, with smelter output - blister or anode - at around 270,000 tonnes in 2012, while refined output (cathode) was estimated at 225,000 tonnes for 2012. The gross weight of copper ore mine output was estimated at 38 million tonnes in the same year. Iran made 80,000 tonnes of zinc in 2012, and 210,000 tonnes of zinc concentrate.

The production of gold in 2012 yielded 2,500 kg, said the report. Meanwhile the gross weight of lead mine concentrate output was 80,000 tonnes; manganese concentrate output was 200,000 tonnes and molybdenum concentrate, 7,000 tonnes.

Despite the economic sanctions imposed on Iran as a result of the nuclear stand-off, it has managed to export non-ferrous metals, although trade levels have been uneven.

Take copper – in 2010, Iran exported \$180.7 million's worth of unwrought refined copper and copper alloys to the European Union (EU), and in 2012, it exported \$58.3 million's worth. In 2013, it exported \$3.5 million's worth of copper scrap to the EU, according to international trade data.

In 2014, the EU imported \$7.8 million's worth of unwrought aluminium from Iran, and \$2.1 million's worth in 2012.

There have also been some significant exports to neighbour Turkey. For instance, in 2014, Iran exported \$165.3 million's worth of unwrought refined copper and copper alloys to Turkish buyers; \$88.3 million in 2013; and \$160 million in 2012. And in 2014, Turkey imported \$107.3 million's worth of unwrought aluminium from Iran, and \$66.7 million's worth in 2013.

Looking ahead, stressed Hani Karami, the md of private Iranian mining company Sakht Kooshan Zaman, Iran is set to prosper from exporting and the domestic supply of a wide range of non-ferrous metals, including aluminium, copper, lead, nickel, tin, titanium, and zinc, and alloys such as brass. Precious metals such as gold and silver, and rare metals such as cobalt, mercury, tungsten, beryllium, bismuth, cerium, cadmium, niobium, gallium, lithium, selenium, vanadium, and zirconium, could all playing a critical role in the economy of the Islamic Republic, as it develops.

Mohsen Bazarnoei, the deputy chief of economic and financial affairs of the National Iranian Copper Industries Company (NICICO), explained: "Our priority is to cover the needs of the domestic market," adding that while the next year's (2016) production volume is forecast to be around 193,000 tonnes, the company will export its surplus to international markets.

Bazarnoei told Metal Bulletin that the company's current prospects are far better than in 2015, saying international exports could be valuable. Noting current sales agreements, he added: "NICICO will sell a total of 100,000 tonnes of copper cathodes that are going to be delivered..."

According to Bazarnoei, NICICO will continue to expand production and is targeting 400,000 tonnes of annual copper production by 2018. In parallel, Bazarnoei said: "NICICO will leap forward and grow by setting stable business relations in its target markets such as China, India, the EU [European Union], and Gulf nations."

Karami shared these thoughts, but stressed the potential of sales to China and neighbouring countries, such as Turkey, that have longer standing ties as business partners of Iran.

Sakht Kooshan Zaman mainly works on copper, manganese, chromite, gold, lead, and zinc in about 40 mining sites across Iran. Karami said that although his company is already selling products, such as manganese and copper, mostly in the domestic markets, it is negotiating with international investors to establish new processing plants.

He cited France-based industrial engineering company Fives Group's agreement with IMIDRO as an example of growing interest among international business groups in investing into the Iranian non-ferrous metal industry.

"We need fundraising to develop our exploration and processing plants," said Karami, adding that once all of the sanctions are lifted, the climate will be convenient for rationalising joint partnership agreements with foreign investors.

On the sanctions, Karami said those on banking and shipping services were "the most important hindrances for the mining sector in Iran." Their removal and an end to other sanctions will create "many opportunities" for the Iranian mining and non-ferrous metals industry.

Arash Shojaee, the founder and ceo of Iranian consultancy firm Ray Vista, said metal companies were searching for new markets particularly in Europe and the Far East, adding that "there is also a significant tendency, particularly from European companies, to invest in Iran".

Shojaee however added that Iran needed to improve power supply reliability, noting that it would be needed to fulfil an Iranian government plan to increase aluminium production capacity up to 1.5 million tpy by 2025 through developing two smelter projects with 350,000 tpy nominal capacity in the south and south-west of Iran.

Lead and zinc also have potential in Iran. Eslami Ghane, the managing director and board member of another Iranian mining firm, the Bama Company, said that it has the capacity to produce 6,500 tonnes of

lead concentrate and 25,000 tonnes zinc concentrate annually. According to Ghane, all the company's lead and 60% of its zinc ingots are exported, the rest sold domestically. Ghane said that the company is exploring expanding its capacity over the next five years.

Considering Iran's non-ferrous industry as a new player in the global market, Ghane said that Iranian producers should look for trades with all countries, including emerging markets, rather than limiting themselves to developed, neighbouring countries with which Iran has traditional trading links.

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