

Tsingshan Indonesian JV to ramp up Eramet's NPI production from H2 2020

French multi-metals miner Eramet's Weda Bay Indonesian nickel pig iron (NPI) project, which houses an estimated 10,000-tonne deposit of laterite nickel ore, will come online in the second half of 2020.

The project is being developed with Chinese stainless steel producer Tsinghan, which is undertaking all construction costs and will hold a subsequent 43% stake in the venture, and will focus on NPI production.

Global NPI - a low-grade ferronickel invented in China and marketed as a cheaper alternative to refined nickel for use in stainless steel production - output increased by 28.6% year on year in the first half of 2019, bolstered by Indonesia increasing its production by 41.8% over the same period.

Although global stainless steel production, NPI's primary application, remained relatively stable over the same period -up by a marginal 0.2% - production in China increased by 3.3% to 13.3 million tonnes.

China's stainless steel ramp-up came while global production decreased 3.1% to 11.8 million tonnes, indicating that China would drive demand for NPI going forward.

Despite NPI traditionally being a component of stainless steel production, rising demand for refined nickel from the battery sector has contributed to the strategic joint enterprise between Eramet and Tsingshan.

In fact, Tsingshan is concurrently developing a battery chemicals plant in China that will produce nickel, cobalt and manganese for battery cathodes, which is slated to start production in January 2020.

Demand for primary nickel increased by 2.9% in the first half of 2019, which Eramet attributed to the development of the electric vehicle (EV) battery sector, which also grew 25% over the same period.

With that in mind, the company is bullish on nickel demand, especially after the global nickel market registered a deficit of 40,000 tonnes in the first half of this year.

Eramet's Weda Bay industrial complex, situated on Indonesia's Maluku archipelago, will boost the company's efforts to increase refined nickel and ferro-nickel output, which fell by 3.4% year on year to 28,000 tonnes in the first half of 2019.

Eramet's declining nickel output has been attributed to blockades and production outages at Société le Nickel (SLN), the New Caledonia-based mining company that Eramet owns the majority share in alongside Swiss trading firm Glencore over the same period.

News of the Weda Bay nickel project, which Chinese stainless steel producer Tsinghan will partly finance, coincides with Eramet's imminent launch of a rescue plan for its SLN subsidiary to increase nickel production.

A further three operative mines, as well as improved working hours and mining schedules, supported the ramp-up in nickel ore production, however, which rose by 6.7% to 1,861,000

tonnes in the first half of the year. Although this represents a 19.1% drop from nickel ore output volumes in the second half of 2018.

Eramet's Weda Bay is due for completion in 2020, which coincides with the company's safeguarding measures to recover SLN's decreased nickel production, but the new plant is not a substitute for SLN.

"Indonesia is strategically located for nickel production, but Weda Bay is not an alternative to SLN. For Eramet, it is a prescient diversification with one of our clients. The aim is to make all strands of nickel production necessary to stainless steel and the automotive sector's transition to electric [vehicles] more profitable," raw materials analyst Jean-François Lambert said.

"Nickel is an essential metal so signing an agreement with a Chinese giant like Tsinghan makes perfect sense and it will be Tsinghan that finances the project," Lambert added.

Eramet and Tsinghan are allegedly already discussing the possibility of a second complex for nickel and cobalt production, the output of which will be used primarily for EV production, though this is unconfirmed.

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