PRESS CUTTINGS

July 2018
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Sand mining stopped in Keningau

KOTA KINABALU: All sand mining and dredging activities in Sabah's interior

Bauxite miners demand clear answer from Govt

By ONG HAN SEAN
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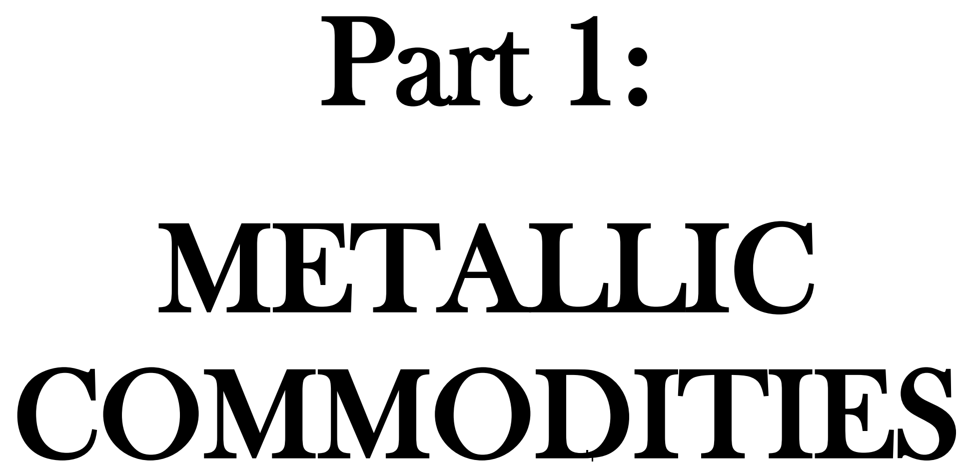

Part 1:
METALLIC
COMMODITIES

Source : StarBiz
Date : 02 July 2018 (Monday)

Thyssenkrupp, Tata Steel seal landmark JV deal

Venture will be Europe's second-largest deal after ArcelorMittal

FRANKFURT: Germany's Thyssenkrupp and India's Tata Steel have signed a final agreement to establish a long-expected steel joint venture, the European steel industry's biggest shake-up in more than a decade.

The deal comes after months of negotiations since an initial agreement was announced in September. Both companies hope it will help them respond to challenges in the volatile steel industry, including overcapacity.

The largest European steel deal since the takeover of Arcelor by Mittal in 2006, the 50-50 joint venture – to be named Thyssenkrupp Tata Steel – will have around 48,000 workers and about €17bil (US$19.9bil) in sales.

Based in the Netherlands, it will be the continent's second-largest steelmaker after ArcelorMittal. It forms the core of Thyssenkrupp CEO Heinrich Hiesinger's plan to turn his steel-to-submarines conglomerate into a technology company.

Overcoming challenges: A steel worker monitors the hot metal at the Thyssenkrupp steel factory in Duisburg, Germany. The firm says its deal with Tata Steel will help them respond to challenges including overcapacity. — AP

Completion of the deal, which has been in the making for more than two years, is expected either in the fourth quarter of this year or in the first quarter of 2019, depending on antitrust talks with the European Commission, the company said.

The venture does not just address the challenges facing the European steel industry, Hiesinger said, but it is "the only solution to create significant additional value of around €5bil for both Thyssenkrupp and Tata Steel due to joint synergies which cannot be realised in a stand-alone scenario." Tata Steel chairman Natarajan Chandrasekaran, in a separate statement, said the joint venture will create "a strong pan-European steel company that is structurally robust and competitive".

The deal comes as European steel makers face tariffs of 25% on their exports to the United States, their biggest market. That might force local markets to absorb more of the steel production.

Since the tariffs were announced in late May, shares in European steelmakers ArcelorMittal, Thyssenkrupp, Salzgitter and Voestalpine have lost 8% to 17%.

Hiesinger had faced pressure from activist funds Cevian and Elliott to extract more commitments from Tata Steel, whose European business has performed worse than Thyssen's since the agreement was first announced, creating a valuation gap.

Thyssenkrupp said the deal included "proper compensation" for the gap, which it said was in the mid-triple-digit million-euro range: if the joint venture makes a widely expected initial public offering it would get a bigger share of the proceeds.

Thyssenkrupp said it also secured the right to decide when a listing might take place, adding the joint venture was aiming for a dividend payout in the low-to-mid-triple-digit million-euro range.

The German group also said it now expects annual synergies of between €400mil to €500mil from the transaction. It said additional synergies were possible through managing capital expenditure and optimising working capital.

Most of the synergies will be realised within the first three years of the joint venture, Thyssenkrupp's finance chief Guido Kerkhoff said during an investor call.

Tata Steel will remain liable for environmental risks in Britain, where its Port Talbot factory, the least profitable of the joint venture, is based, said Markus Grolms, vice chairman of Thyssenkrupp's supervisory board.

Due to large pension liabilities, Port Talbot had been a major issue in early stages of the negotiations between the companies before a deal was agreed last year.

Tata Steel's Dutch unit will also be part of the joint venture's cash-pooling mechanism, which means the unit's cash flow will not be ring-fenced. That had been a key demand for German workers concerned that Tata would give its own workers better conditions in the new company. — Reuters

Source : StarBiz
Date : 03 July 2018 (Tuesday)

Australia sees iron ore prices sliding

MELBOURNE: Top iron ore exporter Australia sees prices for the steelmaking raw ingredient falling by more than a fifth over the next two years as demand from China's steel mills slips while domestic and Brazilian output climbs, a government report said.

In its quarterly Resources and Energy report, Australia's Department of Industry said iron ore prices on a free on board (FOB) Australia basis are expected to slip to an average of US$51 per tonne in 2020, a drop of more than 21% from yesterday's levels of US$65 a tonne.

The report – which covers a range of resources – said quarterly prices will fall as China's overall iron ore imports slow by 0.6% per year to 1.07 billion tonnes in 2020, with steel production easing in the world's biggest consumer of metals. — Reuters

Source : StarBiz Date : 04 July 2018 (Wednesday)

Lion Industries to expand flat steel business via takeovers

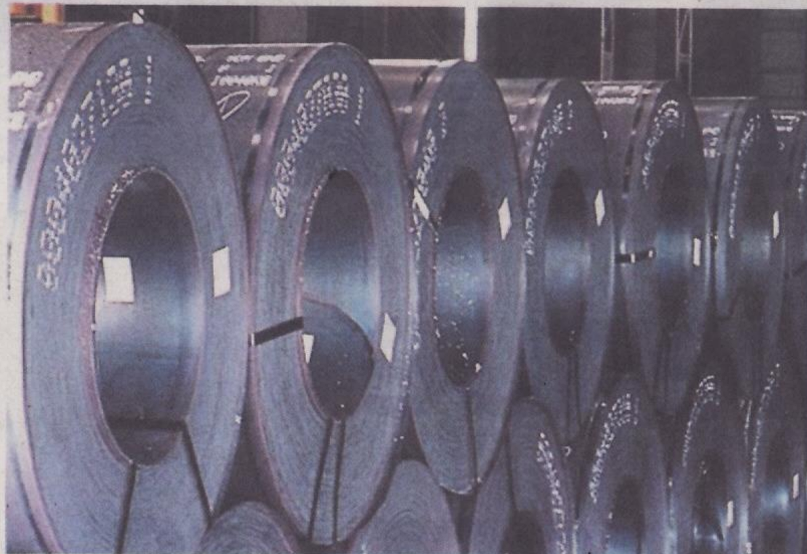
PETALING JAYA: Lion Industries Corp Bhd has proposed to expand into the flat steel business through the proposed acquisition of flat steel assets with a production capacity of 3.2 million tonnes per annum of hot rolled coils and 0.7 million tonnes per annum of cold rolled coils.

In a filing with Bursa Malaysia, Lion Industries said it and Megasteel Sdn Bhd had entered into a memorandum of understanding for the agreements below.

Firstly, there is the proposed acquisition by Oriental Shield Sdn Bhd, a wholly owned subsidiary of Lion Industries, of all encumbered fixed and floating assets, along with the acquisition of a 100% equity interest in Secomex Manufacturing (M) Sdn Bhd for RM547.73mil. Secomex is a wholly owned subsidiary of Megasteel.

Secondly, there is the proposed assignment to Gelora Berkat Sdn Bhd, also a wholly owned subsidiary of Lion Industries, of the benefits accruing to the Megasteel secured lenders for the under-secured portion debts for RM8.5mil. This is equivalent to about two sen for every RM1 debt.

Thirdly, there is the proposed acquisition by Gelora of all the unencumbered assets of Megasteel for approximately RM24.5mil.



Tri-partite deal: Lion Industries and Megasteel have entered into three flat steel asset deals.

On the same date, Oriental also entered into a tri-partite agreement with Tenaga Nasional Bhd (TNB) and Megasteel for the proposed supply of electricity to Lion Industries and its subsidiaries, and this includes the proposed settlement of TNB's entire claims against Megasteel for RM35.8mil.

These proposals are undertaken in conjunction with the debt settlement scheme by Megasteel.

Meanwhile, the total funding required to implement the proposals amount to RM638.04mil.

"The Lion Industries group is expected to pay RM132.16mil within 14 days from the date of lodgement of the court order for the Megasteel debt settlement scheme and the remaining payment shall be paid on a deferred basis," said Lion Industries.

The source of funding for the proposals shall include proceeds from the disposal of certain assets, internally-generated funds or bank borrowings.

Lion Industries is involved in the manufacturing of long steel products comprising bars and wire rods which are used in the construction, fabrication and manufacturing industries. It is the intention of the company to widen its steel product base to include the manufacturing of flat steel products, hence embarking on the proposals.

It is also the intention of Lion Industries to invest in a blast furnace project to be integrated with the flat steel mill following the completion of the proposed acquisitions.

The proposed acquisition of unencumbered assets and the proposed TNB settlement form part of the Megasteel debt settlement scheme. The unencumbered assets may be used for the blast furnace project in the future. Meanwhile, the proposed TNB settlement is essential to ensure supply of electricity for the operation of the flat steel mill.

Following the completion of the proposals, Lion Industries would be able to embark on the flat steel business, thus strengthening its presence in the steel industry in Malaysia.

Source : StarBiz Date : 05 July 2018 (Thursday)

Misif: Tariff hike may impede recovery of industry

Steel players operate in 'extremely challenging' environment

PETALING JAYA: The increase in electricity tariff, which can result in an additional cost of more than RM100mil per annum to the iron and steel industry, may impede the recovery of the sector.

According to the Malaysian Iron and Steel Industry Federation (Misif), the industry, despite having emerged from the doldrums, continued to operate in an extremely challenging business environment. Hence, the sudden and perpetual increase in power tariff could put the industry under renewed pressure and affect its competitiveness.

"The iron and steel industry encountered the worst onslaught of cheap imports for the past five years and is just about to recover with some nascent growth in the horizon filled with challenges," Misif said in a statement yesterday.

"But the recent surge in natural gas and electricity price in the second half of 2018 will hamper the recovery effort of the industry and the Malaysian economy at large, especially the last increase of both utilities was just six months ago," added the industry association, which represents 139 manufacturers of iron and steel products in the country.

The Energy Commission on June 29 announced the adjustment to the Imbalance Cost Pass Through (ICPT) by cancelling the rebate of 1.52 sen per kilowatt per hour (kWh) and simultaneously imposing a surcharge of 1.35 sen/kWh effective from July 1 to Dec 31 this year.

Misif said the net impact of that adjustment amounted to an increase of 2.87 sen/kWh, or 8%-16%, for industrial users.

This would translate into more than RM100mil per annum of additional cost to the industry that currently consumed more than 650 kWh per tonne of electricity.

"Electricity and natural gas are essential utilities in the production process in the iron and steel industry. To be competitive against imports and stay competitive in the international market, the iron and steel industry is in critical need of a competitive energy cost," Misif said.

Misif noted that over the last four years, the natural gas tariff had been increased eight times, from RM16.07 per one million British thermal units (mmbtu) to RM32.69 per mmbtu, representing a staggering increase of RM16.62 per mmbtu or 103%.

"The additional gas cost incurred by the iron and steel industry is estimated to be more than RM107mil under the new tariff against the applicable rate in May 2014," Misif said.

According to Misif, the industry continued to operate under an extremely challenging business environment.

In addition to the increasing utility cost, it said, the industry had to face the rising cost of doing business due to several factors, including the implementation of the Employment Insurance Scheme, the ongoing duty drawback mechanism (for the importation of steel raw materials to produce finished goods for export purposes), the minimum wage (current levels pending upward review), stringent credit access, levy/rehiring cost of foreign workers cost due to rising minimum wages, and mandatory annual health checks for foreign workers.

"Therefore, in order not to impede the nascent growth of the industry and to prepare the industry to stay competitive regionally and globally, government support and assistance is necessary to aid the domestic iron and steel industry," Misif said, noting that the industry contributed 2.9% to Malaysia's gross domestic product (GDP) in 2016.

It said the industry had the potential to generate up to 6.5% of GDP growth and could generate up to 225,000 job opportunities in 2020.

Source : StarBiz
Date : 13 July 2018 (Friday)

Indonesia reaches deal with Freeport on Grasberg mine

JAKARTA: Indonesia has struck an "initial agreement" to take majority ownership of Freeport-McMoRan Inc's giant Grasberg copper and gold mine, according to President Joko Widodo.

State-owned PT Indonesia Asahan Aluminium, also known as Inalum, will end up with a 51% stake, increasing the nation's holding from just over 9%, Widodo said. He didn't give details or a price for the transaction – which also involves an economic interest in the mine held by Rio Tinto Group – except to say that ministers would announce the value later. Indonesian officials had said earlier this month that the deal would be worth close to US$4bil.

"This is a done deal," said Widodo, commenting on its preliminary nature. "It means the deal has been completed. But there are still technical issues left." Riza Pratama, a spokesman for Freeport's local unit, declined to comment on the president's statement. Rio Tinto didn't immediately respond to an email seeking comment.

Widodo is seeking more control over the nation's vast mineral resources, and has given foreign mining companies a deadline of next year to comply with divestment obligations. The government has insisted that Phoenix-based Freeport give up majority ownership of Grasberg in exchange for a deal that allows the producer to keep operating in the country until 2041.

For more than a year, Indonesia and Freeport have been discussing the company's long-term presence in the country, in a process that's been peppered by reports of progress followed by setbacks. Chief executive officer Richard Adkerson has said Freeport must remain in charge of operations regardless of the size of its stake after divestment. Adkerson has also said fiscal and legal stability for Freeport are essential to any deal, as is maintaining the environmental status quo around its treatment of tailings waste.

Rio, the world's No. 2 mining company, has been a partner in the operation since the 1990s under an agreement that helped Freeport fund an expansion. The London-based producer held rights to a 40% share of output above specific levels, and had expected that to shift to 40% of all production from 2023.

Rio was said to be ready to accept US$3.5bil to sell its production stake in Grasberg back in May. Earlier this month, Indonesian officials said a near US$4bil divestment agreement, which would include Rio's stake as well as Freeport's, was close to being inked.

Majority stake: A file picture showing trucks parked at the Grasberg copper and gold mine complex near Timika, in the eastern region of Papua, Indonesia. Inalum is set to end up with a 51% stake from just over 9%. — Reuters

Even with ownership of Grasberg dropping below 50%, Freeport can still reap substantial benefits from the mine as an operator. Consolidated sales from mining in Indonesia are expected to total about 1.15 billion pounds of copper and 2.4 million ounces of gold in 2018, up from one billion pounds and 1.5 million ounces last year, according to company data.

Bloomberg Intelligence estimates that reserves at the world's biggest gold deposit and second-largest copper mine are worth about US$14bil. Indonesia accounted for 47% of Freeport's operating income in 2017, according to data compiled by Bloomberg.

While securing control of Grasberg may play well with voters before Widodo stands for re-election as president in 2019, the continuing drive to increase the nation's grip on natural resources also carries the risk of deterring foreign investors and undermining efforts to generate jobs and growth.

"Whatever happens, national interest must come first," Widodo told reporters, expressing the hope that securing ownership will yield higher income for Indonesia.

Newmont Mining Corp and BHP Billiton Ltd pulled out of Indonesia in 2016, and DP World Ltd, the Dubai-owned company that operates ports from China to South America, said last year it won't renew a concession to jointly operate a terminal in the Southeast Asian nation beyond 2019 as conditions set by the government weren't favourable.

Rio CEO Jean-Sebastien Jacques in May called out a rising tide of resource nationalism around the world that is causing miners to rethink where they invest. — Bloomberg

China sets record daily steel output for third month in a row

BEIJING: China's steel mills churned out record amounts of the construction material in June as producers rushed to cash in on hefty margins, even as a trade spat between Beijing and Washington intensified.

China, which accounts for half the world's capacity, produced 80.2 million tonnes of crude steel last month, National Bureau of Statistics data showed on Friday. That's just shy of the 81.6 million tonnes the United States produced in the whole of 2017, according to World Steel Association data.

June output was below May's record 81.13 million tonnes, but June has one less day, setting a new daily average production record for a third month in a row at 2.67 million tonnes, according to Reuters' calculations.

"Steel mills were dashing to reap as much of the bumper profits as they could despite environmental checks," said Richard Lu, analyst at CRU in Beijing.

The data may further inflame a bitter Sino-US trade row.

The United States and Europe have accused China of exporting its surplus metal cheap, hurting international rivals.

Massive output: A steel plant in Dalian, Liaoning province. China produced 80.2 million tonnes of crude steel last month. — Reuters

China's steel exports rose last month to 6.94 million tonnes, their highest since July 2017, even after Washington imposed import duties to protect US industries.

The production increase also comes as China has shuttered some mills to help curb choking pollution and ramped up environmental inspections, suggesting that newer mills have ramped up operations to cash in on fat margins.

China's steel output in the first half rose 6% to 451.2 million tonnes.

Steel prices have soared over the past year due to firm demand and on concerns about tightening supplies of metal, used in construction and automotives, as Beijing seeks to close inefficient mills and clamps down on smoke-stack industries to clean the nation's skies.

Lu estimated that mills were earning a profit margin of about 800 yuan (US$119.50) per tonne of steel, while analysts at Huatai Futures put profit margins for mills in northern China at over 1,000 yuan a tonne, one of the highest on record.

Monthly utilisation rates at mills reached 71.6% in June, the highest since October before winter production curbs had taken effect, according to Reuters calculation based on data from Mysteel consultancy.

Analysts say it's not clear if China will continue its record-setting run.

Some particularly smoggy cities and provinces are also implementing ad hoc measures to beat bouts of pollution. Last week, top steelmaking city Tangshan ordered mills to cut production for six weeks over summer. — Reuters

Source : The Star
Date : 18 July 2018 (Wednesday)

Japan-US renew nuke pact as Tokyo pledges to cut plutonium stockpile

TOKYO: Japan and the United States have extended their nuclear pact as Tokyo pledged to work to reduce its plutonium stockpile to address Washington's concern.

The 30-year pact agreed upon in 1988 has allowed Japan to extract plutonium and enrich uranium for peaceful uses even though the same technology can make atomic bombs.

Without either side requesting a review, the pact was extended with an option that it can be terminated by either side giving six months' notice. The new condition, however, makes Japan's nuclear programme more susceptible to US policy.

Foreign Minister Taro Kono said yesterday that Japan must reduce the stockpile to keep the pact in place stably.

Kono said the pact is the foundation of Japanese nuclear industry and it must make concrete efforts to "reduce the large amount of plutonium" to eliminate any doubts and concerns about the programme.

Japan has long denied any possible misuse of the material and reprocessing technology, but its failure to reduce the stockpile of weapons-grade plutonium is forcing the country to show it's taking concrete steps to do so, especially as the US wants North Korea to get rid of its nuclear weapons.

Japan's nuclear policy-setting body is compiling new guidelines to better manage and reduce the plutonium stockpile.

It reprocesses spent fuel, instead of disposing it as waste, to extract and recycle plutonium and uranium to make MOX fuel for reuse.

Japan now has 47 tons of plutonium – most of it reprocessed and stored in France and Britain – the amount enough to make 6,000 atomic bombs.

Despite security concerns and US pressure, the amount isn't decreasing due to slow restarts of reactors that can burn plutonium amid setbacks from the 2011 Fukushima disaster.

Japan's plutonium stockpile largely comes from the failed plutonium-burning Monju reactor, now scrapped after hardly operating and forcing Japan to turn to conventional reactors to burn plutonium, but at a much slower pace.

It's key reprocessing plant at Rokkasho, northern Japan, is in final stages of safety approval ahead of its planned 2021 launch, though experts say it only adds to the stockpile. — AP

> **"The pact is the foundation of Japanese nuclear industry and it must make concrete efforts to reduce the amount of plutonium."**
>
> Taro Kono

Source : StarBiz Date : 23 July 2018 (Monday)

Chinese steel output cuts to vary from mill to mill

BEIJING: Production cuts in China's mammoth steel sector would vary from mill to mill next autumn and winter, said an environmental ministry official, as the country shifts away from a "one size fits all" approach to fighting pollution.

That comes after the nation's state council earlier this month said the 82 cities required to take special anti-smog measures over autumn and winter would be able to draw up their own bespoke plans for those steps.

"This year, production curbs (in the steel industry) will definitely be differentiated based on the emission level at each steel mill," Liu Bingjiang, director of the air environmental management department at the Ministry of Environment and Ecology (MEE), said at a conference on Saturday.

Industrial plants in the steel, cement and primary aluminium sectors in 28 northern cities were last winter ordered to cut as much as 50% of their production capacity as part of the government's years-long "war on pollution".

But some local officials simply imposed blanket production suspensions on all industrial enterprises regardless of their emission levels, stoking some public discontent.

The MEE said in May that it planned to end the "one size fits all" approach to fighting pollution and promised to give local regulators enough time to make their own plan rather than imposing orders from above.

"Differentiated measures will give companies more incentives to improve their emission levels," Wu Jianjun, director of the air pollution department at the Tangshan Environmental Bureau, said on the sidelines of the conference.

Tangshan, China's top steelmaking city, will hire a third-party institute to assess emission levels at mills and will implement curbs based on those results, Wu said.

Detailed production restriction plans for winter have not been issued in Tangshan, in the province of Hebei, but the rates are expected to be higher than last year, according to Wu.

"Environmental measures will be more and more stringent until at least 2020." — Reuters

Bauxite miners demand clear answer from Govt

Left bare: Muhammad at an abandoned bauxite mining site in Felda Bukit Goh.

By ONG HAN SEAN
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KUANTAN: Those involved in the Felda Bukit Goh bauxite mining scene are demanding the Government give a clear answer – once and for all – on whether they can continue the activity.

Settler Muhammad Salleh, 72, said they had been in limbo ever since the moratorium was enforced in January 2016.

"About two hectares of my land have been cleared for mining but now it's just left abandoned for the past two years.

"Bauxite is a windfall for us settlers. Don't leave us in the lurch," he said when met in Felda Bukit Goh here yesterday.

It was reported that Water, Land and Natural Resources Minister Dr Xavier Jayakumar said the moratorium on bauxite mining in Kuantan, that was to have ended on June 30, had been extended indefinitely.

Second-generation settler Rosli Arshad, 46, hoped the new gov-ern-ment would engage with the land owners directly and come to a decision rather than putting them in a state of uncertainty.

"We want the Government to give us a definite answer – continue mining or shut down. We have been unable to move on for the past two years. We are not sure whether to replant oil palm trees on our land or wait for mining to restart because of the moratorium," Rosli said.

Bauxite miner Muzaimey Che Mud, 34, said if the authorities put down a set of standard operating procedure (SOP), mining operators would be willing to follow it.

"Put in place rules and regulations and we are more than willing to abide," he said.

Muzaimey said he had an agreement with the settlers to fill in the dug-up earth on their land once the bauxite had been mined but the uncertainty of the moratorium would not allow him to proceed.

A bauxite purchaser, who wanted to be known only as Chan, said it was unfair that the moratorium was put in place specifically only for bauxite in Pahang.

"More than anything, foreign buyers will lose confidence in Malaysia," he said.

Source : StarBiz
Date : 27 July 2018 (Friday)

CSC Steel may benefit from new probe

PETALING JAYA: CSC Steel Holdings Bhd could benefit from the new probe into imports of galvanised iron (GI) from China and Vietnam, should the preliminary determination be affirmative.

According to Maybank Investment Bank Research, the announcement by the International Trade and Industry Ministry to initiate the probe after receiving a petition from a domestic producer, had come as a surprise.

"The investigation comes as a positive surprise to the market, we believe it will benefit the domestic producers of GI should a preliminary determination be affirmative," it said in a report yesterday.

Currently, the existing anti-dumping duties imposed on cold-rolled and PPGI range from 3% to 52% for five years.

As it stands, GI imports have been on the rise. For instance, imports accounted for 43.1% of Malaysia's total GI consumption in 2016, up from 39.7% in 2015.

The increase resulted in a reduction of CSC's market share to 14.7% in 2016 from 19.7% in 2015.

Source : StarBiz
Date : 30 July 2018 (Monday)

Chin Well increases industrial fastener production

By DAVID TAN
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BUKIT MERTAJAM: Chin Well Holdings Bhd is increasing its production capacity to meet worldwide industrial fastener demand which is projected to hit US$116.5bil by 2022, growing at a 5.4% compounded annual growth rate (CAGR).

In particular, Chin Well is raising the output of do-it-yourself (DIY) fasteners, reinforcing bar (known also as rebar) connectors, and wire mesh products, so that they will contribute 30% to 40% of the group's revenue in four to five years, compared to about 11% currently.

Group executive director Tsai Chia-ling told *StarBiz* that by that time South Asia, South-East Asia and the US would also become key growing markets.

Tsai said the group was now working on an expansion plan for these products, which are made in Vietnam and Penang.

"Now, the bulk of our construction grade fasteners is sold to Europe, which contributes 40% to 50% of our revenue.

"The rest of the world and Malaysia contribute the remainder.

"However, the construction market is cyclical, while the margin is not attractive compared to the DIY segment.

"The group, therefore, needs new core products and untapped markets to grow," she added.

According to Zion Market Research report, the global industrial fastener market is projected to reach US$116.5bil in 2022 from US$84.9bil in 2016, increasing at 5.4% CAGR 2017 and 2022.

"The global industrial fastener market is primarily driven by rapidly increasing demand from the end-use industries such as automotive, aerospace, and construction.

"Furthermore, strong recovery in the construction and automotive segments is sustaining growth in developed countries," the report added.

For the 2019 financial year ending June 30, Chin Well will see its wire mesh products sales increasing due to large orders from the Middle East and South Asia region.

"We want to increase the production of new wire mesh products that could be used in the agriculture and infrastructure sectors," she said.

The wire mesh products are produced by Chin Herr, a wholly owned subsidiary of Chin Well.

Chin Herr manufactured 30,314 tonnes of wire mesh products for the nine months of the 2018 fiscal year, or 28% of the group's total output.

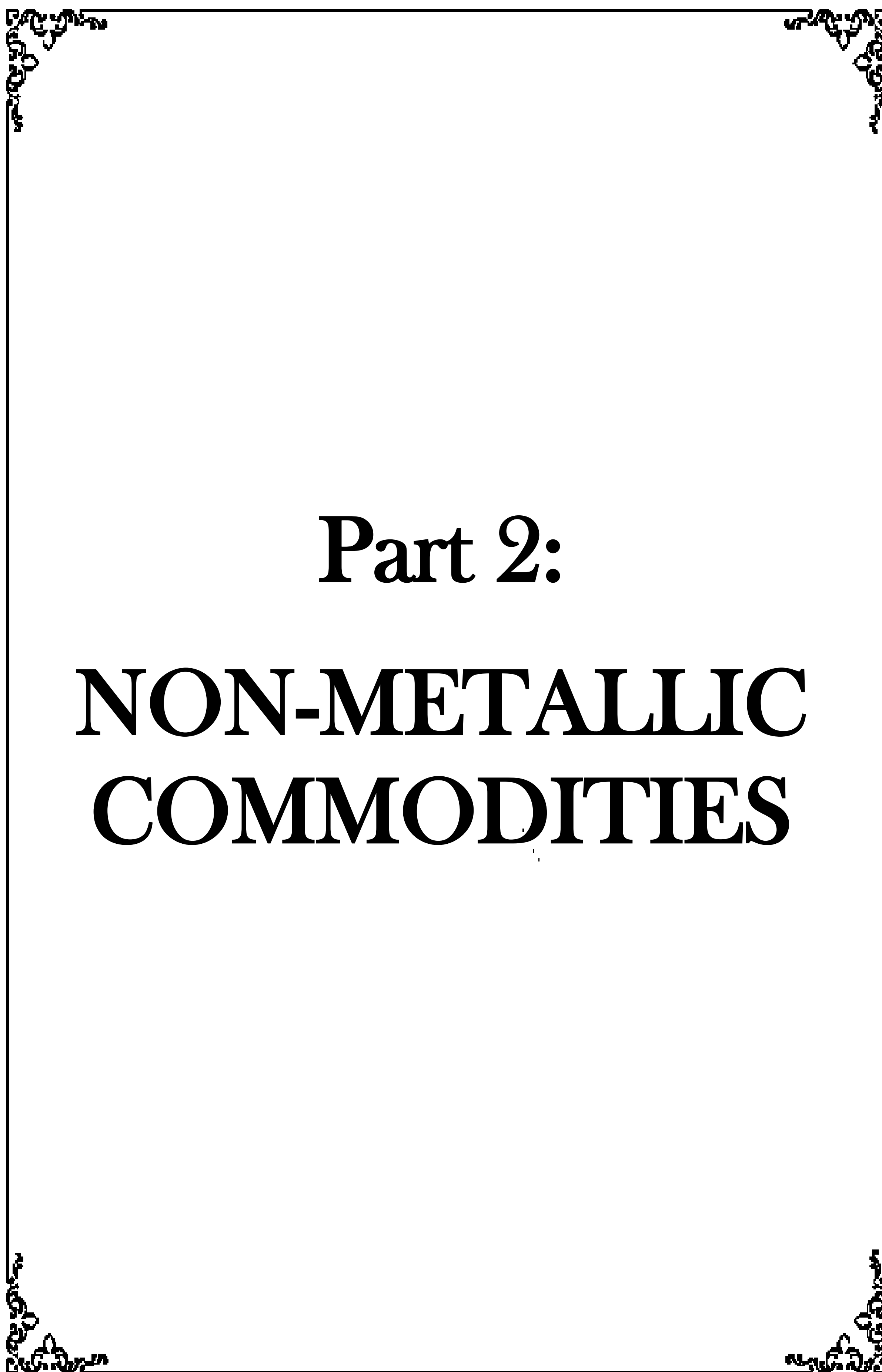
"We are seeing the US market, which has stayed stagnant for the past two years, making a comeback for the group's DIY business in 2019.

"The DIY screws, produced in Vietnam, now comprise about 8% of the group's business.

"We used to ship between 30 and 50 containers per month to the US market eight years ago.

"Then the market slowed down two years back, while demand from Europe picked up.

"But this year, due to new customers in the US, we are optimistic of improved shipments to the US.



Part 2:

NON-METALLIC COMMODITIES

Source : The Star
Date : 02 July 2018 (Monday)

Sand mining stopped in Keningau

KOTA KINABALU: All sand mining and dredging activities in Sabah's interior Keningau district have been ordered to stop immediately, says Minister of Agriculture and Food Industry Junz Wong.

"Mining and dredging can destroy river habitats and disturb the aquatic ecosystem," he said in a statement.

He said those who disregard the order would risk losing their licences.

"Whether they possess TOL or Schedule B licences issued by Assistant Collector of Land Revenue officers, all works must stop immediately," Wong said.

He will instruct the Land and Survey Department to coordinate and carry out regular inspections so that these operators will not continue with their activities.

He also said his ministry through the Department of Irrigation and Drainage (DID) will conduct environmental study impacts on the river in Keningau due to rampant sand mining activities for the last 20 years.

"Please report any sand and gravel extraction to the relevant authorities so that our rivers can be preserved," Wong said.

Source : StarBiz
Date : 03 July 2018 (Tuesday)

Cement price war may escalate

PETALING JAYA: The price war in the cement industry could intensify should there not be much of a recovery in demand following the reduction in infrastructure projects following the 14th General Election (GE14).

According to CIMB Research, this is a potential negative for the earnings outlook of cement companies in the second half of the year.

"This makes it unlikely for any cement company to initiate a price hike to cover rising operating costs.

"For cement players, margins could remain under pressure," the research house said.

CIMB Research said due to this, it has revised its 2018 forecast industry cement consumption growth of 3% to a 3% contraction at 17.3 million tonnes.

It noted that cement consumption contracted 8% year-on-year in 2017 compared to a 6% decline in 2016.

Following this, the research house also expects demand for steel products in the second half to be negatively affected as well.

> **For cement players, margins could remain under pressure.**
>
> CIMB Research

"Industrial players' expectations of a ramp-up in production capacity of steel products required for rail projects could be muted in the second half of 2018.

"In terms of rail demand, output of steel products would mainly be absorbed by the ongoing RM9bil LRT3 and the RM32bil MRT2 Line, which we expect to enter steel-intensive phases over the next one to two years," it said.

CIMB Research has downgraded the building materials industry to an "underweight" from "neutral."

It said that earnings risks for cement players would sustain in the second half, more so for Lafarge Malaysia Bhd.

"We maintain a reduce call on Lafarge.

"In line with the downgrade of the construction sector, we cut the building materials industry to an underweight from neutral.

"Key upside risks include a recovery of the scaled-down contracts in 2019," it noted.

"Our earlier expectations of a recovery in cement demand, driven by cement-intensive phases of large-scale infrastructure projects that were expected to regain momentum after the GE14 no longer hold," it said.

CIMB Research further explained that although the domestic cement sector has come off its peak capital expenditure cycle for capacity expansion, it did not think the oversupply situation would reverse in the upcoming second half season.

Source : StarBiz
Date : 18 July 2018 (Wednesday)

More bad news for solar firms as India imposes duties

PETALING JAYA: Malaysia's solar industry will be hit by another blow after India became the second country after the United States to impose safeguard duties on solar panel imports.

Already facing a 30% tariff imposed by the US, solar panel exporters from Malaysia will now face a 25% import duty on shipments to India.

Yesterday, India's Directorate General of Trade Remedies announced that it had recommended the imposition of a 25% safeguard duty on solar cell imports from Malaysia as well as China for a one-year period, as the imports have threatened to cause serious injury to the domestic producers of the equipment.

According to the recommendation, after the first year, the duty will be lowered to 20% in the first six months of the second year and 15% for rest of the year.

Malaysia is the second-largest supplier of solar modules and cells to India after China, while Taiwan is the third-largest exporter of the technology.

Last year, Malaysia accounted for 5.9% of solar panel imports by India, compared with China's 88.2% and Taiwan's 2.2%.

In total, India imported US$4.12bil (RM16.66bil) worth of solar modules and cells last year, up 43% from US$2.88bil in 2016.

Globally, Malaysia's photovoltaic cells and module production industry is the third largest after China and Taiwan, accounting for 8% of the global output.

According to the Malaysian Investment Development Authority, the country's solar manufacturing companies' total exports were worth nearly RM11.1bil in 2016. Up until 2015, 48 solar projects had been implemented with total investments of RM28bil, creating more than 26,700 job opportunities.

The Indian government said the recommendation to impose safeguard duties on solar panel imports was due to increased imports of solar cells, assembled in modules. It added that it was in the public interest to impose safeguard duties on imports to protect the domestic industry.

According to the statement posted by India's Directorate General of Trade Remedies on its website, the request was made by the domestic industry for the imposition of a provisional safeguard duty by the Indian Solar Manufacturers Association on behalf of five Indian producers – Mundra Solar PV Ltd, Indosolar Ltd, Jupiter Solar Power Ltd, Websol Energy Systems Ltd and Helios Photo Voltaic Ltd.

The five companies had sought for the imposition of a safeguard duty on imports of "solar cells whether or not assembled in modules or panels" (product under consideration or PUC) into India.

Upon examining the request, it found there existed critical circumstances which warranted the imposition of a provisional safeguard duty to provide interim relief to the domestic industry from suffering irreparable damage, which could have been difficult to repair.

While China's exports to India constituted a paltry 1.52% of its total global exports during 2012, this increased to 29.8% during 2017.

Source : StarBiz
Date : 18 July 2018 (Wednesday)

Jetson in deal to bid for Sabah solar jobs

PETALING JAYA: Kumpulan Jetson Bhd has entered into a heads of agreement (HoA) with Helios Photovoltaic Sdn Bhd to bid for solar power projects in Sabah.

In a filing with Bursa Malaysia, Jetson said that Helios was a private limited company, principally engaged in the business as dealers of solar energy products, offering services ranging from delivering effective solar power solutions, maintenance and a solar monitoring system for all types of photovoltaic projects to clients through design and build, consulting and project management.

Helios has secured and completed numerous solar power projects with a value of more than US$40mil since its incorporation, including the implementation of the solar power projects within the Kapit and Song districts in Sarawak, which power about 700 households in various longhouses within these districts.

Helios and Kumpulan Jetson will have a 50:50 partnership in their venture together.

The parties have agreed to form a special-purpose vehicle (SPV) to undertake the proposed projects with a view of entering into a joint-venture agreement upon the terms and conditions being mutually agreed upon.

In the event a contract is awarded to the SPV, the parties shall as soon as possible after such award, conclude and execute the definitive agreement.

Jetson said that the HoA shall remain in force until the execution of the definitive agreement, or termination by either party by giving three months' written notice.

Source : StarBiz Date : 19 July 2018 (Thursday)

Tek Seng solar unit ceases production

PETALING JAYA: A subsidiary of Tek Seng Holdings Bhd is ceasing production in the third quarter of this year due to increasingly tough conditions in the solar industry.

The group told Bursa Malaysia that its 50.69%-owned subsidiary Sdn Bhd (TSST) had decided to temporarily stop its entire production activities.

TSST is principally involved in the manufacturing and sales of photovoltaic products.

The group said the continuing tense competition in the solar industry, coupled with the eroded prices of solar cells due to excess inventory in the supply chain, had resulted in a challenging operating environment for the company.

In addition to this, it said the company's export sales had been significantly impacted due to safeguard tariffs imposed by the US and India on the importation of solar cells and modules from Malaysia.

"The board is of the view that the prospects of TSST will continue to be very challenging and this situation is not expected to improve in the near future.

"In this respect, the board has decided to temporarily stop its production to minimise losses," it said.

"The board is of the view that the prospects of TSST will continue to be very challenging and this situation is not expected to improve in the near future."

Tek Seng Holdings Bhd

The move will also see 118 production workers made redundant.

The group said the ceasing of production by TSST would have an impact on its performance for the financial year ending Dec 31, 2018 as a result of the one-off redundancy cost and impairment loss on assets to be incurred.

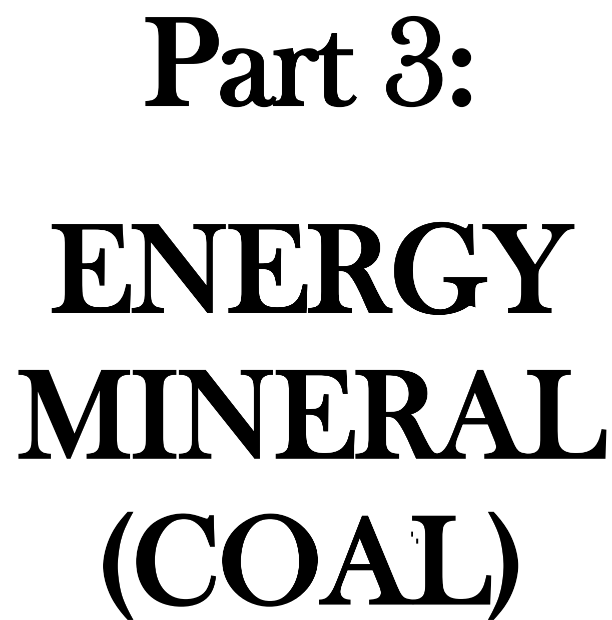
"At this juncture, TSST is unable to ascertain the extent of the cessation costs. As such, TSST will make the corresponding announcement to Bursa Securities in due course," it said.

It was reported that Malaysia's solar industry will be hit by another blow after India became the second country to impose safeguard duties on solar panel imports after the United States.

Already faced with a 30% tariff imposed by the US, solar panel exporters from Malaysia are now facing a 25% import duty on shipments to India.

India's Directorate General of Trade Remedies announced on Tuesday that it had recommended the imposition of a 25% safeguard duty on solar cell imports from Malaysia as well as China for a one-year period, as the imports had threatened to cause serious injury to the domestic producers of the equipment.

Malaysia is the second-largest supplier of solar modules and cells to India after China, while Taiwan is the third-largest exporter of the technology.



Part 3:

ENERGY MINERAL (COAL)

Source : StarBiz
Date : 23 July 2018 (Monday)

High coal prices putting pressure on power sector

Commercial, industrial should take measures to cushion effect

By LEONG HUNG YEE
hungyee@thestar.com.my

Fuel source: A tug boat pulls a coal barge along the Mahakam River in Samarinda, East Kalimantan. Coal plays a large role in Malaysia's energy scheme and is fully imported, with some 63% is imported from Indonesia. — Reuters

PETALING JAYA: Global coal prices, which have been on a steady rise, hit a six-year high early this month, increasingly putting pressure on the power generation industry in the country.

Coal plays a large role in Malaysia's energy scheme and is fully imported. Some 63%, is imported from Indonesia, with another 24% coming from Australia and the remainder from nations as far away as Russia (11%) and South Africa (2%).

Penisular Malaysia's power generation is highly dependent on fossil fuel with 53% coal, 42% natural gas and 5% hydro, together with other forms of renewable energy (RE).

Australian thermal coal prices have broken through US$120 per tonne for the first time since 2012, driven by strong consumptions in Asia. Spot prices for thermal coal from Australia's Newcastle last closed at US$119.30 per tonne, the highest level since October 2011.

Similarly, Indonesia's Ministry of Energy and Mineral Resources set its July thermal coal reference price at a six-year high of US$104.65 per tonne, recording a rise of 8.3% month-on-month and 32.6% from a year ago.

For the first quarter ended March 31, Tenaga Nasional Bhd's (TNB) average coal price stood at US$92.1 per tonne. The utility giant consumed 7.1 million tonnes of coal during the quarter to generate electricity.

In addition, global natural gas prices are increasing for the first time in two years as demand jumps in Asia, Europe and the United States.

The escalating cost of electricity generation has to be adjusted in the form of imbalanced cost pass through (ICPT) rate.

In Peninsular Malaysia, electricity tariff is determined by the Government through a globally-accepted framework called Incentive Based Regulation (IBR).

The IBR provides a mechanism called ICPT which allows adjustment of fuel prices for electricity sector every six months. Changes in prices of fuel for electricity generation are reflected as a varying rate of a rebate or surcharge.

In a recent announcement, the Energy Commission said the implementation of the ICPT would continue for the period between July 1 and Dec 31, 2018 at an average base tariff rate of 39.45 sen per kWh.

It explained that due to the higher fuel and generation costs for the period of Jan 1 to June 30, 2018, 1.35 sen per kWh ICPT surcharge has to be imposed on non-residential customers.

ICPT started with its first regulatory period (RP) starting from January 2015 to December 2017. It was succeeded by the second regulatory period (RP2), commencing this year to 2020.

In the first RP, part of the escalation in fuel cost was cushioned by the Electricity Industry Fund (EIF) or more commonly known as Kumpulan Wang Industri Elektrik. The fund originated mainly from savings gained from power purchase agreement renegotiation.

For the July-Dec 2018 period, a surcharge was announced by the EC, the first time since IBR was introduced. The surcharge is applicable to commercial and industrial users as the Government is spending RM114mil of EIF's existing RM760mil so that 81.7% of electricity users (residential customers) do not need to pay the electricity surcharge.

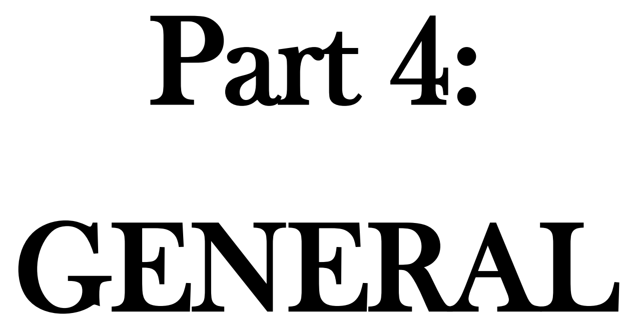
The usage of this fund is to partly offset higher global coal prices and the impact of exchange rate volatility which have amplified the increase of coal prices for the energy sector. In the first RP, RM6.3bil in rebate has been passed through to customers.

Analysts said while the impact of ICPT mechanism is neutral on TNB, the imposition of surcharge for the first time after seven cycle of rebates reflects ICPT rebates is unsustainable when coal and gas prices continue to escalate.

With both fuels imported, a weak ringgit versus the US dollar will only exacerbate matters. As such, commercial and industrial should take measures to cushion the effect of surcharge through various measures such as energy efficient practice, energy monitoring products, energy audit and power factor solution.

Energy Watch Malaysia via energywatch.com.my gave an example that through power factor solution (power factor is a measure of how effectively incoming power is used in your electrical system), users can save up by 20%.

"In a 2013 case study, an upfront investment of just RM15,000 for power factor solution for a 12-storey office building has unlocked savings of RM300,000 per annum," said the portal.


Part 4:
GENERAL

Source : Star Biz Date : 10 July 2018 (Tuesday)

Open Mineral plans blockchain consortium

LONDON: Online metal concentrates exchange Open Mineral is seeking to build a consortium of mining companies and financial institutions to create a blockchain system for minerals trading and logistics.

Swiss-based Open Mineral said in a statement on Monday it was joining forces with U.S. blockchain start-up ConsenSys to establish Minerac, aiming to make mineral trading and supply chains more efficient.

"Logistics are complex, financing is difficult to acquire and the entire process is very paper heavy," said Open Mineral chief executive Boris Eykher.

"Thus, the industry is primed for blockchain disruption to simplify the trading process, (and) increase efficiency and profitability."

ConsenSys, which uses the Ethereum blockchain platform, has already set up consortiums for the oil industry and trade finance, Eykher said.

Blockchain works as a huge, decentralised ledger of transactions, which is verified and shared by a global computer network and therefore virtually tamper-proof.

Some mining firms have already signed up to the consortium while discussions are underway with other miners and financial institutions, he added, declining to identify them.

"Minerac will allow stakeholders to securely exchange critical trade documents, such as bills of lading and letters of credit, via the use of smart contracts," the statement said. — Reuters

Source : Star Biz
Date : 13 July 2018 (Friday)

May IPI up 3% on higher manufacturing sector output

KUALA LUMPUR: Manufacturing underpinned the country's industrial production index (IPI) growth, which expanded 3% in May from a year ago and in line with a Bloomberg survey.

Chief statistician Datuk Seri Mohd Uzir Mahidin said year-on-year, the growth of IPI was supported by the increase in manufacturing by 4.1% and electricity by 2.6%.

However, mining posted a decrease of 0.5% from the 1.8% in April 2018.

"The manufacturing sector output rose by 4.1% in May 2018 after recording a growth of 5.3% in April 2018," he said in a statement yesterday.

Mohd Uzir said the major sub-sectors which registered increases in May 2018 were the electrical and electronic equipment products (4.8%) and petroleum, chemical, rubber and plastic products (3.7%).

Non-metallic mineral products, basic metals and fabricated metal products (5.0%).

The report also stated that the electricity output increased by 2.6% in May 2018 after recording an increase of 5.8% in April 2018.

RHB Research in a report said that May's ebbing IPI number was likely attributed to fewer working days during the month as a result of the 14th general elections (GE14) and the two days post-election holidays.

It said the numbers were also an indication that trade volumes have started to lose steam amid a slowdown in global economic activity and growing concerns over the US-China trade war.

Overall, the research house said it estimated 2Q18 GDP growth of 5.3% year-on-year, slowing slightly from the 5.4% registered in 1Q18.

"We maintain Malaysia's 2018 GDP growth forecast at 5.2%, easing from 5.9% in 2017, on a slowdown in external trade but cushioned by resilient domestic demand."

Source : Star Biz Date : 31 July 2018 (Tuesday)

Economy expected to accelerate in quarter two

AmBank says full year economic growth can be sustained at 5.5%

PETALING JAYA: Malaysia's second quarter (Q2) gross domestic product (GDP) growth should be better than the first (Q1), underpinned by several macro key data, according to AmBank Group.

Its chief economist Anthony Dass said the group's preliminary estimate suggested that GDP for Q2 could expand between 5.5% and 5.7%, versus 5.4% in Q1.

For the full year, GDP growth could remain at 5.5% with the lower end at 5.3%, he added.

"May Leading Index (LI) suggests some signs of softening are evident in Q3 after it fell by 0.7% year-on-year (y-o-y) to 117.8 points.

"Meanwhile, the Coincident Index (CI), which grew 2.2% y-o-y to 133.7 points in May, indicates the second quarter GDP performance should be stronger than Q1.

"Factoring in the key macro data for the first two months of Q2 such as industrial production, manufacturing sales, exports, imports and loans approved, we are optimistic that Q2 GDP should perform better than Q1," Dass noted.

On another note, he said banking group's projection would be that the US Federal Reserve (Fed)'s policy rate will normalise around 2.75%–3.00% with room for it to reach 3.25%–3.50% by end-2019.

"Under the previous US president, we found several spikes in the GDP. We believe the overall GDP is projected to grow around 2.8% for the full-year of 2018, with the upside around 3.0%.

"Hence, we reiterate our view of two more rate hikes by the Fed in the second half of this year – one in September and the other in December, each by 25 basis points (bps)," Dass said.

The US Q2 GDP grew at a faster pace of 4.1% q-o-q from 2.2% q-o-q in Q1. The reading turned out to be the best pace since Q3 2014 of 4.9%.

This brings the the first half GDP to 2.8% y-oy.

Strong consumer and business spending, added with strong exports ahead of retaliatory tariffs from China helped drive GDP, he said.

Personal consumption expenditures rose 4% y-oy while business investment expanded 5.8% y-oy and federal government outlays increased by 2.7% y-o-y.

Exports climbed 5.1% y-o-y.

Dass: We reiterate our view of two more rate hikes by the Fed in the second half of this year – one in September and the other in December, each by 25 basis points.

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by;

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