



## China clamps down on rare earths output

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The Ministry posted a warning on its website last month stating that companies that exceed set quotas, or which continue to use non-environmentally friendly practices risk having their licenses revoked.

Companies will now be expected to hold certificates to prove: mandatory production plans; planning permission for production; process in place that has not been previously banned; environmental verifications; and safety licences.

An inspection task force was mobilised on 10 August with a mission to check that rare earth producers are abiding with government decrees. The inspection is to last until 31 December 2011.

The move follows rare earth processor and exporter Minmetals calling for a rare earth production halt in order to keep within national production quotas.

Minmetals believes the country will fail to keep to these quotas if production is maintained at present levels to the end of the year.

China's Ministry of Land and Resources set this year's rare earth oxide (REO) production quota at 93,800 tonnes. This total includes 80,400 tonnes of light rare earths and 13,400 tonnes of rare earths from ion adsorption clays (mainly medium and heavy elements).

The accompanying table shows China's REO production plans by province for 2011. However, a Chinese industry source has confirmed to **IM** that these quotas have already been met in H1 2011, thus supporting Minmetals' concerns. Naturally, end users remain wary of any potential halt in REO production.

### Measures enforced

China's environmental clampdown on rare earth mining in its southern and eastern provinces has led to a number of operations being suspended.

The government is consolidating the mining and processing of medium and heavy rare earths into three state-owned companies.

Beijing has banned the development of new rare earth deposits until 2012 as it reorganises the structure of the industry and new environmental guidelines

Further efforts to regulate the Chinese rare earth mining industry are anticipated during the second half of 2011.

The country is expected to issue a series of industry regulations targeting issues ranging from rare earth metal production caps and industry entry thresholds, to qualifications for mergers and acquisitions in the sector.

### H1 profit for leading producer

Inner Mongolia Baotou Steel Rare-Earth Hi-Tech Co., China's leading rare earth producer, reported that its half-year net profit jumped 458.51% from the previous year owing to steeply rising prices of rare earth products.

Its net profit totalled RMB1.976bn (US\$307m.) in the first half of 2011. Revenue reached RMB5.979bn, up 156.81% year-on-year.

The company said prices of rare earth metals increased significantly in the first half of the year, which led to a surge in profits.

At the time of press, heavy rare earth europium oxide (99% FOB China) was priced between \$5,400-\$5,800/kg and dysprosium (FOB China) between \$1,000-\$1,120/kg (*see p.64 for details*).

### WTO debunks US complaint claim

The World Trade Organization (WTO) has dismissed reports claiming the USA and Mexico have submitted a complaint about Chinese rare earth export policies.

Citing the chairman of the Chinese Society of Rare Earths, Gan Yong, China's *21<sup>st</sup> Century Business Herald* said that the USA and Mexico had

Planned production (but already met by H1 2011) of Chinese rare earths in 2011 by province (tonnes REO)

Province	Crude minerals	Processed minerals
Fujian	2,000	2,500
Gansu	0	7,000
Guangdong	2,200	8,500
Guangxi	2,500	0
Hunan	2,000	800
Inner Mongolia	50,000	35,000
Jiangsu	0	8,400
Jiangxi	9,000	13,000
Shaanxi	0	1,600
Shandong	1,500	2,600
Sichuan	24,400	11,000
Yunnan	200	0
China total	93,800	90,400

Source: Wen Lu

accused China of trade protectionism.

Gan was said to have made the claim at the China Rare Earth Forum in Baotou, Inner Mongolia - the main hub of China's world-leading rare earths industry.

In response to the story, a WTO spokesman told **IM**: "We haven't received any memorandum about rare earths."

"I can't see procedurally how this would happen... it would be unusual for the US and Mexico to submit a joint memorandum."

China has come under criticism from Western governments for its rare earth policies, which have seen it reduce exports to the rest of the world.

The EU said China's decision to maintain export quotas for the second half of 2011 was "highly disappointing" and called for "full, fair, predictable and non-discriminatory access to rare earth supplies as well as other raw materials for EU industries."

The claims come on the back of the WTO's ruling against Chinese export policies for a number of other raw materials, including bauxite, fluorspar, silicon carbide and magnesium.

The US, the EU and Mexico filed a complaint against Chinese practices in 2009.