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LME PROVIDES UPDATE ON WAREHOUSE REFORM PACKAGE

The London Metal Exchange (**LME**) has published its responses to the legal and logistical consultation process (**Consultations**) it launched in November 2014 regarding its physical delivery network. The LME also issued a discussion paper including the final two elements of the LME's warehouse reform package and possible further structural reforms. In addition, a new proposal was put forward to increase the load-out rate of metal at warehouses affected by structural queues, by adjusting one of the parameters of the 'Linked Load-in / Load-out rule'.

In response to the issues raised by market participants during the Consultations, the LME has revised several elements of its legal and logistical review proposals, due to be implemented on 1 June 2015. The LME has provided more detailed guidance on the kinds of incentives (sums paid by warehouse owners to metal owners to attract metal into their warehouses) it deems abusive. To address concerns regarding the reporting of these incentives, the LME has also agreed that the reports should be anonymous in order to protect the identity of the underlying clients.

Following positive market feedback, the LME has confirmed its clarification of 'load-out' at warehouses, which was made to prevent the abuse of LME load-out requirements. The new definition of 'load-out' states that metal must be shipped to a different warehouse operator or to a consumer in the same LME location, or it must leave the location altogether. However, certain consultation respondents indicated that some participants would like to be able to temporarily use non-LME storage situated in the same warehouse, before the metal is loaded out per the revised definition. The LME has agreed to ask its Physical Market Committee (**Committee**) to consider whether such a service could be allowed, while not diluting the protection against potentially abusive behaviour provided by the new definition.

The conclusion of the Consultations has also opened the door to a discussion surrounding the final elements of the warehouse reform package, namely the re-assessment of the possibility of capping or banning rents in queues and of capping the level of daily rents and 'free-on-truck' rates.

Lastly, the LME noted the feedback regarding the request to increase the granularity of the Commitments of Traders report that has been published weekly by the LME since August 2014. The Committee is already considering this question, and the LME believes that this is the correct forum for this discussion. The LME is willing to consider changes to its report if the Committee sees a need for it, and will communicate any next steps in due course.

(Source:*https://www.lme.com/trading/warehousing-and-brands/warehousing/warehousing-studies/fot-study/*, 2 March 2015)

RUSSIA MAY CONSIDER GRANTING CHINESE INVESTORS MAJORITY STAKES IN STRATEGIC HYDROCARBON FIELDS

Speaking at the Krasnoyarsk Economic Forum, Russia's Deputy Prime Minister Arkady Dvorkovich said that Russia would seriously consider a request from China to allow its oil and gas companies to take majority stakes in strategic hydrocarbon fields. Mr. Dvorkovich added that fields on the Arctic continental shelf would not be included in any arrangement. The announcement is the latest evidence of deepening Sino-Soviet economic ties. In May 2014, Russian gas major Gazprom and China's China National Petroleum Corporation signed a US$400 billion contract to supply 38 billion cubic meters of gas per year to China for 30 years via the 'Power of Siberia' pipeline. In November 2014, the Russian and Chinese governments signed a memorandum of understanding in relation to supply to China via an additional pipeline, the so-called 'western route', which is to run from gas fields in Western Siberia via the Altai gas pipeline. Supply through the new route is due to commence in 2019. China has also proposed the building of a US$242 billion high-speed rail link between Beijing and Moscow.

(Source:*http://rt.com/business/236211-russia-china-oil-gas/*, 27 February 2015)

LME welcomes first Korean member

The London Metal Exchange (**LME**) has approved Korea's Sorin Corporation (**Sorin**) as a category 5 associate trade member. Sorin, which is engaged in the wholesale importing and exporting of non-ferrous metals, is the first Korean member of the LME. Headquartered in Seoul, Sorin acts as an exclusive metal export agency of its affiliate entities Young Poong Corporation and Korea Zinc Co. Ltd – both of which are listed on the Korean Stock Exchange. Jason Chang, Representative Director of Sorin, was appointed to the LME Lead and Zinc committee in 2014, making him the LME's first Korean committee member. The LME is also planning an event in Korea in the second half of 2015 focusing on educating Korean clients about the LME and the function and benefits of hedging to protect against price volatility.

(Source:*https://www.lme.com/news-and-events/press-releases/press-releases/2015/02/lme-welcomes-first-korean-member/*, 11 February 2015)

Turquoise Hill agrees to sell its remaining stake in SouthGobi

Canada's Turquoise Hill Resources Ltd (**Turquoise Hill**) has entered into an agreement with China's Novel Sunrise Investments Ltd in relation to the cash sale and purchase of 48.7 million shares in SouthGobi Resources Ltd (**SouthGobi**) for Cdn$0.35 per share. In July 2014, Turquoise Hill agreed to sell the majority of its stake in SouthGobi to the Hong Kong-listed National United Resources Holdings for Cdn$12.8 million. Together the two deals, which are expected to close before the end of 2015, will be completed for combined consideration of Cdn$21.3 million, or less than 1% of the Cdn$2.3 billion that Turquoise Hill's stake was once valued at. In February 2015, three of SouthGobi's former employees were found guilty of tax evasion and sentenced by a Mongolian court to between 5 – 6 years in prison. Turquoise Hill was fined Cdn$ 22 million as a civil defendant to the proceedings. SouthGobi has warned that if the fine stands on appeal it might have to file for bankruptcy.

(Source: *http://www.mining.com/rios-turquoise-hill-gets-rid-of-remaining-stake-in-southgobi-39837/*, 24 February 2015)

Glencore slashes Australian coal production

Mining and commodities giant Glencore Plc (**Glencore**) has announced that it aims to cut production at its Australian coal mines by 15% in 2015 due to weak global demand, low prices and oversupply. Up to 120 positions at Glencore's 13 Australian mines could be affected as operations are scaled back. In the past two and a half years, Glencore, impacted by the ongoing slump in commodity prices, has laid off approximately 3,000 workers from its Australian coal business. Over 2015, Glencore plans to slash spending on its mines to between AUS$6.5bn - AUS$6.8bn, from a previously estimated AUS$7.9bn. Glencore's annual coal output in Australia (including figures from mines in which it is a partner) is approximately 100 million tonnes. A drop in demand from China is influencing coal miners' investment strategies. Consumption of coal in China, the world's biggest consumer, fell in 2014 for the first time in 14 years.

(Source:*http://www.mining.com/glencore-slashes-australian-coal-production-37195/*, 27 February 2015)

MOSB to establish supply base in Mawlamyine to serve Myanmar's oil and gas sector

Myanmar Offshore Supply Base Ltd. (**MOSB**), a subsidiary of Singapore's 2 Fish Pte. Ltd., has announced that it plans to develop an integrated port and supply facility at Mawlamyine in Mon State, Myanmar. The facility will cover an area of 193 acres and will be home to companies providing services to operators of the oil and gas fields in the waters off the coast in the Bay of Bengal. The port has a natural depth of between 26 - 42 feet (8 to 13 meters). No riverbed dredging is required at the site.

(Source:*http://www.rigzone.com/news/oil_gas/a/137440/MOSB_to_Set_Up_Supply_Base_in_Mawlamyine_to_Serve_Myanmars_Oil_Gas_Sector*, 27 February 2015)

Swiber signs US$310 million EPCIC contract in South Asia

Singapore's Swiber Holdings Ltd has announced that it has entered into an engineering, procurement, construction, installation and commissioning (**EPCIC**) contract with, an as yet unnamed, national oil company in South Asia. The EPCIC contract is estimated to be worth approximately US$310 million. The project involves a full suite of EPCIC services for 8 new platforms and associated pipelines required for the development of a new offshore gas field. The engineering work will commence immediately with completion targeted at the end of March 2017.

(Source:*http://www.scandoil.com/moxie-bm2/news/swiber-wins-310-million-epcic-contract-in-south-as.shtml*,13 February 2015)

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