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Mining to generate less than US\$100m, lower than last year's revenue

The government expects to generate revenue of less than US\$100 million from the mining sector in the 2014-2015 fiscal year, lower than last year's revenue that earned more than US\$100 million, a minister said recently.

Minister of Energy and Mines Dr Khammany Inthilath told local media recently state revenue generated by the mining sector has declined in recent years.

In 2011-2012 fiscal year, Sepon mine project alone generated state revenue of more than US\$100 million bringing total revenue generated by the sector to about US\$230 million in that year.

In 2012-2013 fiscal year, the revenue dropped to about US\$210 million. It decreased further to just more than US\$100 million in 2013-2014 fiscal year.

Explaining the drop, the minister said during the early years when major projects began operations the quality of ore mined was higher coupled with the fact that the global price of minerals was also higher.

"Countries around the world are suffering from the decreasing price of minerals on the global market. Revenue we generate from mining has decreased," he told local media during his attendance to a recent biannual meeting between the cabinet, Vientiane Mayor and provincial governors.

Admid the drop of mine price on global markets, some companies submitted requests to the government asking for permission to suspend operation of their projects.

The government had considered the requests appropriately, but the investors were required to pay related fees to the government in accordance with the concession agreements, the minister said.

Some mine project operators have chosen to abide by the concession agreements they signed with the government to continue their operations, despite the fact they are making a loss.

Three potash mine projects in Vientiane had already suspended their operations, while another two potash mine projects in Khammuan province were continuing their operations, according to the minister.

Related excavation costs for potash have reached more than US\$300 per tonne, while the mine is selling it at just over US\$200 a tonne.

So far, more than 70 companies have been granted concessions from the government to excavate mines in Laos.

Another factor contributing to the drop in revenue generated by the mining sector is the government suspending consideration and approval for new mine projects since 2012 as it needs to review the operation of existing projects to ensure their effectiveness.

Dr Khammany said officials in charge were currently carrying out inspection and assessment on the operation of the mine projects.

The officials expected to finish the assessment by the end of 2015 and submit the findings to the government.

He added the government would then consider whether to revoke the suspension that would allow new investment into mine projects or continue imposing the suspension.

By Souksakhone Vaenkeo
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