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Jakarta. Indonesia and Freeport-McMoRan on Tuesday (29/08) reached an agreement to allow the US miner to keep operating its giant Grasberg copper and gold mine, though the timing and price of a 51 percent divestment in the mine still needs to be worked out.

Freeport, the world's biggest publicly traded copper company, can apply for an immediate 10-year permit extension to mine at Grasberg beyond 2021, said Indonesian Energy and Mineral Resources Minister Ignatius Jonan. Grasberg is the world's second-biggest copper mine.

"The mandate of the president, which has been agreed to by Freeport, is that the divestment should reach 51 percent in total," Jonan told a joint news conference, alongside Freeport's Chief Executive Officer Richard Adkerson. "All that is left is to discuss the timing. The price will be negotiated later," said Jonan.

Revised rules in Indonesia require miners to divest a 51 percent stake, relinquish arbitration rights and pay new taxes and royalties. Freeport has insisted on getting the same fiscal and legal protection as in its current contract.

The mining minister said Freeport could "immediately apply" for its first 10-year permit extension and a second extension could be proposed before 2031.

Freeport's copper concentrate exports from Indonesia were at risk of being halted again if the two sides had failed to reach an agreement on a new mining permit before the current temporary permit expired in October. Freeport exports around two-thirds of the copper concentrate it produces at Grasberg and the remainder is processed domestically.

Phoenix, Arizona-based Freeport has held lengthy talks with the Indonesian government over issues such as the amount and valuation of the divestment and the development of a new smelter to extend its 30-year mining contract, which is due to expire in four years time.

Adkerson said the existing contract of work would remain in place until everything was settled, but stressed that the company had given ground.

"We want to emphasize that to divest the 51 percent [stake] and to build a [second] smelter are a major concession," said Adkerson.

Adkerson, who has been personally involved in the negotiations, in April had called the divestment rule "a form of expropriation".

Freeport had said it wanted an agreement that would run to 2041 and provide the fiscal and legal certainty it needed to proceed with a multi-billion dollar underground expansion for Grasberg. The mine is located in Indonesia's eastern province of Papua, on the island of New Guinea.

Reuters