

Exclusive: Facing green pressure, Indonesia halts deep-sea mining disposal

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JAKARTA - Indonesia will no longer permit mining waste to be disposed in the ocean to allay concerns about the environmental impact of processing nickel used in electric vehicle (EV) batteries, a government official and a corporate mining source said.



A worker poses with a handful of nickel ore at the nickel mining factory of PT Vale Tbk, near Sorowako, Indonesia, 8 January, 2014.
REUTERS/Yusuf Ahmad/File Photo

The Southeast Asian nation, the world's biggest nickel producer, has not officially banned so-called deep sea tailings (DST) but by not issuing new permits it could delay planned projects and complicate efforts to dispose of waste.

Proponents of DST say it is cheaper and less harmful to pipe waste into the sea, especially on tropical islands where earthquakes or heavy rain limit storage, but critics says the [impact of such marine disposal is poorly understood](#).

"There is no written regulation yet, but the policy is to not issue permits for deep sea tailing for any future projects," Jodi Mahardi, a spokesman for the Maritime and Investment Affairs Coordinating Minister, told *Reuters*.

Up to now only one nickel mine in Papua New Guinea is using DST, according to global producer association the Nickel Institute.

Indonesia currently uses the disposal method at its second-largest copper mine, run by PT Amman Mineral Nusa Tenggara.

Indonesian nickel projects seeking permission for DST did not receive an outright rejection, but a lengthy wait meant that land tailings eventually become "the only option", according to a corporate mining source familiar with the matter.

Once the world's biggest exporter of nickel, Indonesia banned ore exports last year amid efforts to develop a full nickel supply chain, starting from extraction, processing into metals and chemicals used in batteries, all the way to building EVs.

At least four high-pressure acid leach (HPAL) plants, which process nickel laterite into chemicals used in batteries, are being constructed in Indonesia led by Chinese investors. Most planned to dispose waste in the sea.

HPAL projects in Morowali, in Sulawesi, have decided to drop DST, said a source familiar with the matter.

Meanwhile, an HPAL project in Obi Island is still waiting for the government's decision.

Changing to disposing tailings on land from the ocean would require a major plant rework, said Angela Durrant, a nickel costs researcher at Wood Mackenzie.

"It would cost a fortune to switch from one established form of tailings disposal to another method," Durrant said. However, she said that most new HPAL projects in Indonesia are unlikely to have set up any disposal systems yet.

China-led investment

Despite obstacles, Indonesia is expecting investment in nickel processing to double from 2020 to \$35bn by 2033, led by Chinese stainless steel producers and battery makers.

The country also signed a \$9.8bn EV battery deal with South Korea's LG Energy Solution in December.

Indonesia has also been wooing Tesla, which has been looking to find reliable sources of nickel globally after warning the current cost of batteries remains a hurdle to growth. Tesla has sent an investment proposal and the government will meet with the company next week, Septian Hario Seto, the deputy head for investment and mining coordination said on Friday.

Maritime and Investment spokesman Jodi said that the Indonesian government was well aware of the need to uphold green standards "otherwise, companies like Tesla would not come here".

Indonesia has a chequered environmental track record in mining so EV companies could be cautious about directly investing given environmentally-conscious consumers, experts say.

"There's potential in Indonesia but there's also risk involved if they don't have the right policies," said Andrew Miller, product director at EV battery metals consultancy firm, Benchmark Intelligence Minerals.

Source: Reuters