

# New Caledonia unrest pushes nickel sector deeper into crisis

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The nickel industry in New Caledonia is idling.

Weeks of unrest in New Caledonia have plunged the archipelago's nickel industry, already on government life support, closer to catastrophe, sector representatives say.

The French Pacific territory is the world's third-biggest producer of nickel, behind Indonesia and the Philippines, and ahead of Russia and Australia.

Nickel, a silver metal used as an alloy to make [stainless steel](#), [electronic components](#) and jewelry, is also a key ingredient for electric vehicle batteries, making it critical for a transition towards cleaner energy.

But since May 13, when riots sparked by a constitutional reform project broke out, nickel mining and processing has been at a standstill.

And although France has lifted a [state of emergency](#) across the territory after two weeks of unrest in which seven people died and hundreds were injured, few expect a fast return to normality in the nickel industry.

## **'Running on empty'**

Mining operations at Societe Le Nickel (SLN), a historic nickel producer, have been stopped, and ore reserves—a constant supply of which is needed to keep high-temperature refining operations running—are dwindling.

"We're running on empty," said one source at one of the plants outside Noumea, the capital.

Disruptions due to attacks and damage at some sites during the chaos have come at the worst possible time for local producers, who are already buckling under competitive pressures from cheaper producers, notably Indonesia.

New Caledonia sits on up to 30 percent of the world's nickel reserves, and nickel-related industries employ 20-25 percent of the working population in the archipelago of 270,000 people.

As recently as February SLN, a subsidiary of mining giant Eramet, got a government loan of 60 million euros (\$65 million) to prevent bankruptcy.

In New Caledonia's south the Prony Resources site—also kept alive thanks to a 140 million-euro loan granted in March—has also stopped operating, it told AFP.

The Koniambo Nickel (KNS) site, to the north, has been idling since February while the Glencore conglomerate, which owns 49 percent of the loss-making operation, tries to sell its stake.

Nickel mining, which unlike refining is often run by small operators, has also suffered from blockages during the unrest, which have cut it off from vital fuel supplies.

## **'Catastrophic'**

"The consequences for the mine and New Caledonia are catastrophic," said Thomas Sevetre, director-general at the Georges-Montagnat mining company.

Things could get even worse, if shipping companies add risk premiums to their freight charges because of the political situation, Sevetre said.

"Our competitive lag with Indonesia and the Philippines will grow," he said.

World nickel prices have been notoriously volatile, with rising demand and sanctions on Russian exports more than offset by a massive output boost by Indonesia, which now accounts for around half of world production.

Talks initiated by French Finance Minister Bruno Le Maire aimed at putting New Caledonia's [nickel](#) industry on a sustainable footing with government help have stalled, with some of New Caledonia's pro-independence representatives saying they would not sign the proposed deal.

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