

Investors should be proactive and run the process, Roland Haslehner Partner at The Boston Consulting Group.

Mining sector is severely impacted by volatile commodities prices. Biggest mining companies at the end of 2015 restrained from big projections, some of them halting or decreasing their mining operations. Beside the latest commodity markets disturbances mining industry has several ongoing challenges, which it would have to face and mitigate in coming years.

Mining and metals are essential to the global economy and societal development. Standing at the beginning of most value chains, the sector is a critical supplier of essential materials and products and a global generator of trade, employment and economic development. To be essential is not, however, to be immune from pressure or criticism. The mining and metals sector faces significant demands and expectations from across the value chain and stakeholder groups - from shareholders and customers, to governments, communities and consumers. In a constantly changing world, global disruptions and transformations towards a more sustainable and equitable future are challenging the traditional way of doing business. The study Mining & Metals in a Sustainable World 2050 by World Economic Forum, in partnership with The Boston Consulting Group tries to answer the key challenging questions on future of mining and metals industry in years to come. Forward thinking is key to industry leadership and success. The more sustainable world examined in this report could have profound long-term implications for how this industry performs; today's preparation will determine tomorrow's achievements.

We spoke with one of the authors of this business wise comprehensive analysis, Mr. Roland Haslehner a partner in BCG Vienna based office. Senior mining expert Mr. Roland Haslehner joined The Boston Consulting Group in 2002 and is global leader of BCG's Coal Mining Topic and it's Engineered products and infrastructure Sector. He also leads BCG's Eastern European offices across all practice areas.

Volatility of commodities prices is just one of the overall market risks and challenges for mining industry. Companies will yet have to deal with Paris agreement implications, also with energy prices vs coal-environment implication costs explains Haslehner.

Coal environment costs and gas-coal prices will surely influence the energy sector, this specially may refer to the eastern Europe countries where coal dominance is strong. EU environment standards on coal exploration and thermal power sector will increase the costs of coal production and overall impact could be seen in final electricity prices.

Haslehner explains that companies face effect of assets not being profitable anymore as they are below the cash costs.

South and East Europe (SEE) exploration projects of junior mining companies or existing operating mines may also suffer from market disturbances. Junior mining companies may face cash flow problems as investors are restraining from Greenfield projects.

Haslehner explains that companies may be reviewing SEE projects, trying to get the best value for their investments. They are analyzing political environment and cash costs development. CAPEX are limited for many market players and SEE perspective projects are part of portfolio decision.

SEE countries have attractive royalties and mining fees, many of SEE countries are hosting several operations of biggest mining companies. Environment impact advocacy campaigns also follow the mine exploration or production, involving local communities in different modes of participation. Environment and Social impacts are important both for investor and local communities, an open dialog and ongoing discussion makes the mining projects more feasible. The fact is that there are good and bad cases of stakeholder relations of mining companies. East Europe is not anymore disregarded by any of the biggest environment mining advocacy groups and organizations, medias are closely watching and reporting on the mining operations of biggest stock market mining companies. Reputation of companies globally impacts all mining operations, regardless of the location. Asian, African or South American mining projects issues or bad reputation travels fast around the world and serves as a reference for environment advocacy groups in Europe.

For local governments and local communities a question of royalties and mining industry requires a deeper topic insight explains Haslehner. The value of mining operations is essential; royalty fee is just one element of the benefits for local economy. Miners invest for example in mine infrastructure that is being developed and used by all beneficiaries, both the investor and local community beneficiaries. Governments and local communities need to have a time horizon of 15-20 years in order to have a broader view of all benefits coming from mining operations. Local communities should have this fact in mind, this long term thinking gives an opportunity to partner with mining investors and built the joint future. Of course long-term vision requires open discussion comments Haslehner, adding that local governments should have capability to value all macroeconomic impacts.

The entrance of biggest International Financial Institutions (IFIs) in equity partnership of mining exploration operations in South and East Europe also makes an impact on overall mining industry business. Banks like EBRD and IFIs have a consistency policies and Performance Requirements from which the investors and local communities are learning explains Haslehner. Business processes are smooth and entrance of IFIs into mining projects equity makes the projects sometimes more attractive for other investors comment

Haslehner.

Global and local environment advocacy groups are also being attracted by IFIs presence in mining operations in East Europe. Considering the known fact that companies reputation makes global impacts its no wonder that environment advocacy groups are transferring the knowledge to local environment activists in East Europe. Transfer of knowledge can only make open discussions with investors more efficient believe activists from east europe NGO MININGSEE. Proactive approach of investors in developing broad stakeholder relations mechanisms enables the projects run efficiently and in partnership with local communities comment from SEMC mining stakeholder relations consultancy.

Sustainable development means open sustainable communication. Investors should have proactive approach and there should be transparency of concerns of all interested parties. Investors cant make projects efficient unless they are not running the complete process explains Haslehner.

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