

**ECONOMIC ISSUES**

**LAMP**

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**Background**

- Lynas will export the rare earths (RE) material from its mine at Mt Weld in Western Australia.
- First new source RE supply outside China - 8% of the world's rare earth market
- The Mt Weld project - life span of 20 years producing 33,000 tonnes per annum of RE concentrates

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**Major Uses of RE**

- Automotive catalytic converters
- Fluid cracking catalysts in petroleum refining
- Phosphors in color television and flat panel
- Displays (cell phones, portable DVDs, and laptops)
- Permanent magnets and rechargeable batteries
- Generators for wind turbines
- Numerous medical devices.
- Defense applications - jet fighter engines, missile guidance systems, antimissile defense, and space-based satellites and communication systems

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### Demand and Supply

- World demand for rare earth elements estimated at 136,000 tons per year
- Global production around 133,600 tons in 2010
- World demand projected to rise to 185,000 tons annually by 2015

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### Supply and Demand

- Demand estimated at 185,000 metric tons in 2015.
- China's output = 140,000 mt in 2015
- China's demand = 130,000 mt by 2015.
- Non-China annual output need = 45,000 - 70,000 mt

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### New Supply

- Lynas Corp. Mt Weld project and Molycorp's Mountain Pass operation are projected produce a total of 40,000 mt by 2013

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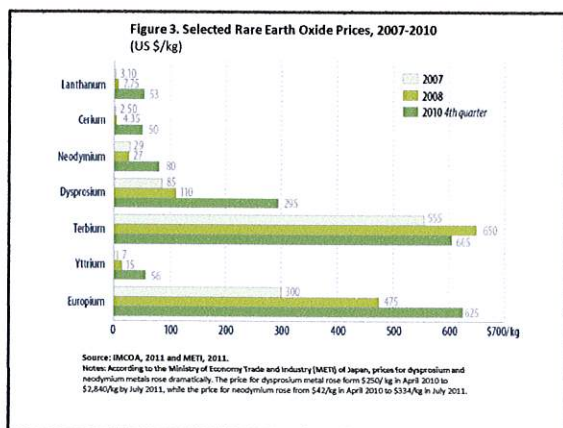
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**Economic Assessment?**

- The “Preliminary Environmental Impact Assessment and Quantitative Risk Assessment” (2008)
  - **Construction impacts:** Jobs will be created for locals where possible. Foreign workers will be used if a local workforce is not available or sufficient.
  - **Operational impacts:** The project will have positive socio-economic impacts at a regional and national level.

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**Advocated Benefits (Lynas )**

- FDI value = RM2.3 billion
- OPEX = RM600 million
- Total contracts (Msian) = RM1.168 million
- Employment, direct employees = 350
- Contract staff = 300
- Indirect employment = 1000
- Potential downstream employment = 1200

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### Incentives

- 12 year tax exemption granted to Lynas in Malaysia – these are foregone benefits to the government
- Granted 'pioneer status'

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### Recommendations

- Rigorous cost benefit analysis
  - Comparing benefits against risk
  - Consider tangible and non-tangible benefits
- Communicate to public on economic benefits
- Ways to capture revenue for the government
- Implications to local stakeholders

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