

UNITED KINGDOM

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The UK's GDP for the year 2000 was £934.6 billion, compared with £891.0 billion for 1999. At the year-end, inflation was 3.2% (1.8%), the interest base-rate increased to 6.0% (5.5%), the Sterling Index was 105.4 (107.2) and the exchange rate was £0.60/US\$ and £0.63/euro. A trade deficit world-wide of £28.7 billion (£29 billion) occurred, that with the European Union being £1.7 billion (£5.95 billion). The Public Sector Net Cash Requirement remained in surplus at £36.73 billion (£1.76 billion). Unemployment was around 1.6 million, the lowest since 1975.

The approximate value of minerals produced for 1999 (the latest figure available) was £19.49 billion (£16.99 billion in 1998), oil providing £10.26 billion (£7.49 billion), natural gas (including liquids) £5.79 billion (£5.86 billion), coal £1.08 billion (£1.24 billion), industrial and construction minerals £2.37 billion (£2.39 billion) and metals less than £1 billion (£1 million).

In mid-September, the London Metal Exchange (LME), the world's largest terminal metals market, voted to demutualise. As part of its restructuring, the LME is to convert to a screen-based system from open outcry trading.

During the year, the British Geological Survey published a second edition of *'Exploration for metalliferous and related minerals in Britain: a guide'*.

Coal

Production for 2000 amounted to 31.97 Mt (37.08 Mt) of coal, consisting of 17.61 Mt (20.87 Mt) from deep mines, 13.56 Mt (15.17 Mt) from opencast operations and 797,000 t (914,000 t) from other sources. RJB Mining contributed 15.2 Mt (17.5 Mt) from its 13

underground mines and 3.9 Mt (5.0 Mt) from its 13 surface mines.

Owing to a reversal of a planned cessation of development work at the Ellington and Clipstone collieries in 1999, the work was restarted involving an increase in costs of £19.2 million. Full production at Clipstone was achieved at the beginning of 2001 and that for Ellington is scheduled by April. During the year, difficult geological conditions were experienced at the mines of Haworth and Maltby, and at the Selby Complex, reducing output. However, Daw Mill increased production by 0.5 Mt over the previous year.

RJB's opencast operations experienced a decrease in output and an increase in costs owing to high and prolonged rainfall. The company made a profit of £17.8 million before tax and after exceptional items, but included a promised £53.3 million in state aid, compared with a loss of £130 million for 1999. Capital expenditure was £27.7 million (£32.6 million).

Planning approvals were awarded to RJB from the Mineral Planning Authorities for 2.6 Mt of surface mining for one new mine and extensions to two existing mines; six new mines were awaiting approval.

A 1,750 m-long new driveage was completed at Kellingley, and £32 million has been spent at Daw Mill on infrastructure and access to the new 300's area, a 1,700 m-long circular tunnel having been completed. Around 53 km of surface seismic exploration was undertaken at three mines during 2000, and £1.1 million of continued exploration is scheduled for 2001, with surface seismic exploration at Rossington, two deep exploration holes at Haworth and three at Kellingley.

Scottish Coal, which produces about 4.5 Mt/y from six opencast mines, has bought the coal contract-mining arm of the Miller Group for £20 million.

Under the UK Coal Operating Aid, the European Commission has approved the applications for subsidies of up to £110 million. These are to assist the UK coal industry during a two-year transitional period whilst the coal industry finds its place in the UK energy market. To date, £17.5 million has been awarded for Scottish Coal's Longannet underground operation, and RJB has received £53.3 million, a further subsidy of £22 million for the company being expected in 2001.

In its annual report to March 31, 2000, the UK Coal Authority had at its year-end, mining licences in place, operating or unconditional, for 82 underground and 328 opencast mines, along with ten coal-bed methane agreements. There were also 496 current and coal exploration licences. England's coal industry had a workforce of 9,700 producing 24.1 Mt, Scotland's 2000 workforce produced 8.2 Mt, and an output of 2.1 Mt was achieved by 1,100 employees in Wales. The Authority is to transfer its remaining geological data to the British Geological Survey.

Australian-based Airon is considering the development in the not-too-distant future of its 600 Mt lignite deposit and electricity producing scheme at Ballymoney, Northern Ireland. It sees potential in the electricity market, with the increase in coal and gas prices, both in Northern Ireland and the Republic of Ireland.

According to the BP Statistical Review of World Energy for 1999, published in June 2000, the UK with 1,500 Mt had 0.2% of the world's total coal reserves, with a ranking of 7th in Europe. As a coal producer, the UK ranked 16th world-wide and 4th in Europe.

Industrial Minerals

In the year to end-December 2000, Cleveland Potash Ltd's Boulby mine near Whitby,

Cleveland, hoisted 2.85 Mt (2.56 Mt) of potash ore, producing 1 Mt (824,000 t) of potash, and 509,000 t (483,000 t) of salt were also hoisted. A mining lease was completed that permits detailed exploratory drilling to resume in the onshore area after a two-year lapse; previous widely-spaced exploratory drilling revealed the presence of mineable potash ore. A 3-D seismic survey is planned in 2001 in this area.

Small-scale mining and mineral processing trials continued on the large carnallite resource lying offshore. Pilot-scale mining and mineral processing is planned to start in 2001.

Work, which is part funded by a European grant, has commenced on a means of returning insoluble waste from potash processing into the mine. The company has developed an environmental management system encompassing mining, processing, storage and transportation of its potash and salt products, and includes the deep-water terminal at Tees Dock.

Imerys Minerals produced 2.1 Mt (2.02 Mt) of kaolin and 403,000 t (379,000 t) of ball clay from its West Country operations. Goonvean, the fourth largest kaolin producer in Europe, producing 250,000 t/y from five pits near St Austell, Cornwall, has purchased the calcined prilling from the former Flare Group to expand its added value kaolin sector; the new company is called Goonvean Ceramic Materials. Watts Blake Bearne of Newton Abbot, Devon (WBB), which produces ball clay and kaolin, is to expand its Denniston ball clay quarry as the river diversion proposal will be delayed by five years. A major review is under way into proposed kaolin mining and waste dumping inside the Dartmoor National Park by Imerys and WBB. Imerys's proposal involves extraction in the Blackabrook Valley, close to the company's Lee Moor pit, and WBB wishes to use Slaugh Moor for waste dumping.

The government has refused to class the kaolin industry as being eligible for a rebate from its Climate Change Levy which came into effect in April 2000. Imerys, despite efforts to cut energy consumption, estimates that the levy will cost the company around £2 million annually. Goonvean estimates an added £200,000 to its annual costs. The kaolin industry is a major earner in the UK, 85% being exported, and contributes an annual £200 million to the national balance of payments.

M-I Drilling Fluids sold some 42,000 t (43,000 t) of barytes from its Foss operation in Scotland near Aberfeldy, Perthshire. The Scoping Proposal for permission to work underground the nearby Duntanlich barytes deposit, submitted last year, has been accepted by the Perth and Kinross Council and Scottish Natural Heritage. The company is concerned about the outcome in view of the recent refusal by the Scottish Ministers to permit the working of the French-owned Lafarge Redland Aggregates Lingerbay 600 Mt coastal super-quarry on Harris, Outer Hebrides, and which would become Europe's largest. The refusal same despite the recommended approval by the Reporter (Inspector) and such coastal quarries forming part of government policy. Both the Duntanlich and Lingerbay sites are in National Scenic Areas which includes some 10% of the Scottish land mass.

Belgian-based Sibelco SA has purchased Fife Silica Sand Ltd in Fife, Scotland, for £4 million; the company's Burrowine quarry has a capacity of 300,000 t/y. Sibelco has also acquired United Glass's quarry in Fife. WWB, Sibelco's UK ceramic clay subsidiary, has bought for £83 million Hepworth Minerals and Chemical Holdings (HMC), which produces 4 Mt/y of industrial silica sand and is the UK's largest producer; HMC has now changed its name to Sibelco Minerals and Chemicals.

Kolberg Kraus Roberts has purchased Laporte's Absorbents Na bentonite

operations and the company's Additives Europe plant at Widnes for £810 million.

Staveley Industries has sold British Salt for £80 million to US Salt Holdings of Florida. British Salt has a capacity of 825,000 t/y of white vacuum salt from its plant at Middlewich, Cheshire. The Salt Union Company continues to produce around 2 Mt of salt from its 100 m deep operation at the Meadowbank mine at Winsford, Cheshire.

In Northern Ireland, salt continues to be produced by Irish Salt Mining and Exploration from its mine at Carrickfergus, Co. Antrim, and bauxite is mined on a small scale at Ballymena, Co. Antrim, by James Stevenson. Kenmare Resources surrendered its prospecting licence for diamonds in Co. Tyrone and Co. Fermanagh in August, and Antrim Perlite Ltd's licence in Co. Antrim, lapsed in November.

Steel

For the year to December 31, 2000, imported iron ore consumption was 14.64 Mt at 54.9% Fe (16.95 Mt at 58.7% Fe) along with imported pellet consumption of 2.24 Mt at 64.6% Fe (1.73 Mt at 63.1% Fe); imported Mn ore consumed amounted to 35,720 t at 17% Mn (14,324t). Crude steel production by Corus UK was 12.82 Mt (13.92 Mt). In addition, 2.34 Mt (2.37 Mt) was produced by other UK concerns. The Florence mine at Egremont, Cumbria, had an output of around 1,000 t of hamatite. ASW shut down its B furnace at Sheerness, leaving only one furnace.

The Corus Group has changed its year-end to December, covering a 15-month period to December 2000. Corus UK Ltd, formerly British Steel (BS), accounted for £100 million of the Group's £400 million capital expenditure, and deliveries of carbon steel products to the UK market were 8.6 Mt. A major capital project completed was Redcar's blast furnace £14 million repair in September. The £12 million Sheffield additional cold rolled capacity of 30,000 t/y was still in

progress at the year-end. Deliveries of stainless steel amounted to 150,000 t. The average number of employees was 33,800.

As a result of daily losses of £1 million over the year, owing largely to weak UK demand and the continued weakness of the euro, Corus announced, on February 1, 2001, a reduction of around 3 Mt/y of iron and steel making capacity in flat products. This represents around 20% and involves 2.6 Mt of rolling mill plant and 50% of the flat products export business. The company has ruled out further capital investment in UK plants. A further 6,050 redundancies, in addition to the 4,700 announced last year, leaves a workforce of 22,000; 300,000 were employed by BS on its creation in 1967. Llanwern in South Wales, and the nearby Ebbw Vale tin-plate works, will be closed, and cuts at Port Talbot and Newport are to be made; plants at Shotton, North Wales, at Redcar, Teesside, and others in northern England will also be affected. The company's stainless-steel business, which remained in profit, will not be involved in the restructuring.

Other Metals

British Alcan's aluminium smelter at Kinlochleven, to the south of Fort William, Scotland the Western world's smallest and oldest smelter closed in June, having produced 1,626 t of refined aluminium for the five months (5,916 t for the previous year). Of the company's other two smelters, Lochaber near Fort William, produced 39,980 t (39,452 t) and Lynemouth, Northumberland, produced 19,713 t (87,125 t).

Following a nine-year closure, Lynemouth's No.1 potline was re-opened and the smelter's upgrade of three turbines was completed. The new power line from Kinlochleven to Fort William, to which Alcan made a £4.7 million contribution, was completed ahead of schedule and will enable an increase in output at Lochaber. Two generators, at a cost of £1.5 million, were installed at Kinlochleven to supply power to Lochaber. Capital

expenditure for the group was £18.1 million (£23.4 million).

Anglesey Aluminium's smelter at Holyhead, North Wales, in which Rio Tinto has a 51% interest, produced 143,000 t (137,100 t) of refined aluminium for the year. The smelter, which employs 550 people, has had its power contract renewed to 2009.

In the twelve months to end-June 2000, MIM Holdings' Britannia Refined Metals produced 233,414 t (225,964 t) of refined lead and 14.3 Moz (15.8 Moz) of refined silver at its Northfleet plant in Kent. The Australian company's Wakefield plant produced 16,081 t of lead alloy (16,099 t). Britannia Zinc's Avonmouth smelter-refinery produced 85,060 t (92,779 t) of refined zinc and 39,164 t (39,910 t) of crude lead. The shortfall in production was owing to furnace repairs and infrastructure failures.

The South Crofty tin mine, near Camborne, Cornwall, and the processing plant at the former Wheal Jane tin/base metal mine near Truro, have been purchased by Baseresult Holdings Ltd from South Crofty plc, some three years after production ceased in March 1998. The mine has recently become flooded to adit level, and only the upper levels will be worked in the initial stages. An output of 2,000 t/y of tin is aimed at in 18 months' time, employing some 200 people. However, the South West Regional Development Agency believes that tin mining is incompatible with the Agency's £100 million regeneration plans for the area. Baseresult plans to transfer the processing plant from Wheal Jane to the South Crofty site. The Wheal Jane plant had been used by the previous South Crofty owners.

Crediton Minerals, which has been exploring for gold in the Crediton Trough, Devon, is to be developed as a provider of finance to natural resource companies world-wide, and is selling its exploration licence to its parent company MinMet.

Gold is being produced on a small scale by Aur Cymru from waste tips at the closed Gwynfynydd mine near Barmouth, Wales. Cambrian Goldfields has a gold exploration licence covering much of the gold belt to the north.

In Northern Ireland, Conroy Diamonds and Gold has intersected significant gold mineralisation in two diamond drillholes on a new target area in Co. Armagh; six further holes are planned. The area is located 6.5 km along strike northeast from the company's Tullybuck-Lisglasson deposit in Co. Monaghan across the border in the Republic of Ireland. Conroy's exploration licences in the area total 1,300 km².

The parent company of Ulster Minerals Ltd., which holds two licences in the Sperrins, has been restructured and is now called Strongbow Resources Inc. Omagh Minerals, which holds a prospecting licence in Co. Tyrone, has begun small-scale gold jewellery production, the first gold production in Ireland for over a century. Ivernica West continues to prospect for base metals in the Clogher Valley, in its licence area of Co. Tyrone and Co. Fermanagh.

Oil and Gas

For the year, production of crude oil from the UK Continental Shelf was 114.57 Mt (123.98 Mt) from 135 (132) fields, NGL production was 8.36 Mt (8.84 Mt), output of dry gas amounted to 59,234 million m³ (51,279 million m³) from 82 (79) fields and 55,128 million m³ (53,440 million m³) of wet gas from 16 (14) fields. Six (nine) new offshore oil fields and three (nine) gasfields, of which two (two) were wet gas fields, commenced operations. A total of 26 (16) exploration

and 33 (20) appraisal wells were drilled, and 22 (19) gas, oil, condensate and incremental project approvals were granted. Gross capital investment remained the same at approximately £3.2 billion.

In December, the government announced £945 million of new investment in the offshore oil industry, involving four new projects: BP's £320 million pipeline from the west of Shetland oilfields to the Magnus field; BP's £210 million for developing the west of Shetland Foinaven field; Kerr McGee's £340 million Leadon field (which, after being discovered 21 years ago, has now become economic) and Ranger Oil's £75 million development on the Kyle field in the central North Sea.

Shell announced, in early September, plans to increase exploration and production expenditure in 2001 to £1.2 billion, 50% more

UK Mineral Production ('000 t)			
Commodity	1998	1999	2000*
Coal	41,177	37,077	31,972
Natural Gas (oil equivalent)	90,144	98,892	108,280
Crude Petroleum (inc. Cond.)	132,634	137,099	126,505
Tin	0.4	-	-
Lead	1.6*	1.0	1.0
Iron	1.2	1.0*	1.0
China/ball clay (sales)	3,356	3,289	3,520
Other clays and shale	12,901	11,975	12,570
Limestone and dolomite	104,906	100,631	93,000
Chalk (GB only)	9,934	9,667	10,000
Slate	425	361	360
Sandstone	20,129	15,485	14,500
Silica sand	4,662	4,092	4,100
Sand/gravel	98,315	100,953	98,000
Igneous rock	45,945	53,155	50,000
Gypsum (natural)	2,000*	1,800*	1,500
Rock salt	700*	1,500*	1,700
Brine salt	4,700*	4,200*	4,200
Fluorspar	65*	40*	36
Barytes	64	59	54
Potash (KCl)	1,014	825	1,000
Peat ('000 m ³)	1,076	1,653	-
Miscellaneous	23	14	7

* British Geological Survey estimate.

Source: UK Minerals Yearbook 2000, British Geological Survey.

than planned, on the mature North Sea fields. The funds will be used principally for more gas and condensate production. Other oil companies are also planning increases in expenditure owing to the increase in oil prices and new technology, BP increasing its expenditure by a third to around £830,000 on expanding production.

Following BP's acquisition of Amoco, Atlantic Richfield and Burmah Castrol, BP Amoco is valued at £132 billion.

In September, the former British Gas made a second demerger into the Lattice Group, principally concerned with the Transco gas transmission system in Great Britain, transporting for the year 101,630 million m³ (92,123 million m³) of gas, and into the new BP Group which is involved with exploration and production, liquefied natural gas, transmission and distribution, power generation and storage. BG Group has proven gas reserves in Northern Europe amounting to 41.21 billion m³ and 5.71 Mt of crude oil, condensate and NGLs.

Centrica, the first demerged company from the original British Gas, produced 11.98 billion m³ (10.8 billion m³) from its Morecambe gasfield. The company's gas reserves stand at 76.38 billion m³ (87.3 billion m³) in its Morecambe field and 8.55 billion m³

(11.35 billion m³) in Liverpool Bay and the Southern North Sea.

Production of onshore oil was 3.25 Mt (4.29 Mt) from 29 (29) fields, and dry gas production amounted to 530 million m³ (134 million m³) from 10 (10) fields, along with 145 million m³ (176 million m³) of wet gas from 26 (26) fields. No new oil or gasfields commenced production. Eight (six) exploration and six (two) appraisal wells were drilled. No (one) oilfield approval was granted, but one (three) gasfield approval was made.

The government has 30 companies interested in applying for oil and gas licences on land, including exploration for methane gas at former coal mines. The closed Shirebrook mine in Derbyshire is already producing methane for electrical power where Coal Gas (UK) and Independent Energy (UK) have invested £5 million in a 9 MW power plant.

In Northern Ireland, eight petroleum prospecting licences were held. BG Storage has withdrawn its application for a prospecting licence for the development of an underground gas storage facility in the short term, but has retained a declaration of interest in the Larne area to the north of Belfast.