

THE YORK POTASH HARBOUR FACILITIES ORDER 201X

Letter from Secretary of State For Business Innovation and Skills



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Thank you for your letter of 10 November, in which you shared details of your project in North Yorkshire. Lord Livingston has asked me to thank you for a similar letter sent to him on 31 October.

While we cannot comment directly upon the merits of any particular planning application, we are able to confirm the Government supports UK mineral production and the national importance of the sector and its contribution to the economy.

A proposed investment of £1.4 billion creating up to 1,000 jobs with forecast exports valued at £1.2 billion, fits well with the Government's growth agenda. The potential economic impact of the proposed investment appears strong from the information you have provided. If realised, there could be significant benefits for the local and national economy.

Amongst these benefits is the contribution Sirius may make to help Government support and maintain a vibrant UK minerals sector. The UK is an important producer of a range of minerals that are consumed in many sectors of the economy. Some 198 million tonnes of minerals were extracted from the UK landmass for sale in 2012. The mineral industry in the UK, including back office functions, employs circa 17,000. As of April 2014, there were 2,008 locations in the UK where minerals are actively mined or quarried and the sector contributed over £26.5 billion in GVA in 2013. The planned investment by Sirius Minerals will see a further increase in these figures.

Minerals are essential to support sustainable economic growth and our quality of life. It is therefore important that there is a sufficient supply of material to provide the infrastructure, buildings, energy and goods that the country needs. This was also the theme of a recent report by the UK Minerals Forum, highlighting that an adequate and resilient supply of minerals is essential to the growth of the UK economy and the well-being of the population in terms of security of energy supply, renewal of infrastructure and increased climate change resilience.

The availability of minerals has perhaps been taken for granted in the past. However, future supplies will be subject to much greater global competition for raw materials and investment concerns within the industry and long-term continued access to minerals, will continue to be crucial if the UK is to achieve sustainable economic growth and rebalance its economy towards production and manufacturing.

As you know, the current global market for potash is dominated by Muriate of Potash (MOP) which comprises about 55-million tonnes a year, compared with roughly six-million tonnes a year for Sulphate of Potash (SOP), which is derived from polyhalite. The latter is sold at a premium of between 20% and 60% to the price of MOP, as it is used in sulphate deficient soils to aid crop growth.

We have a growing population, an increasing focus on healthier and more varied diets and increasing meat consumption. This requires greater production of grain for animal feed and increased fruit and vegetable cultivation. The world's arable land is under increasing pressure; therefore the need for high quality agricultural products is increasing so new sources of potash are in high demand. At the same time, new potash mines are few and far between. There are, at present, few locations globally where it is possible to mine polyhalite in sufficient commercially viable volumes; therefore the York Potash development potentially provides a significant market opportunity. Unlike the more common form of potash (MOP), SOP is a non-chloride potassium fertilizer. While MOP is acceptable for use on grain crops, due to its chloride content, it is toxic to value added crops such as fruits and vegetables. Polyhalite and SOP is ideal for use on these premium crops, which sell for higher prices in the market.

In 2011, the global demand for fertilizer totalled 185 million tonnes, with over 50 million tonnes attributed to potassium-based fertilizers (i.e. potash). Potash mining can be time and capital intensive, due to the location of many potash deposits deep underground. Despite the depth at which many potash deposits are found, many potash projects are economical because of strong demand.

Given polyhalite's premium qualities and York Potash's planned market offering, demand for polyhalite and SOP is expected to rise significantly, which could put the York Potash project in a strong market position. Many market analysts believe the demand for potash will continue to grow, which will provide support for both the potash market and future investment in potash exploration and development projects.

The UK Mining Sector – Other Developments

The most significant recent development in the UK minerals and metals mining sector is the Hemerdon tungsten mine near Dartmoor, Devon. Work began on the £123m project in June 2014, which will exploit the world's fourth largest deposit of tungsten and is expected to start producing tungsten in 2015. Australian owners Wolf Minerals hope to produce (estimated) 5,000 tonnes of tungsten concentrate and 1,000 tonnes of tin concentrate per year. Both the York Potash and Hemerdon projects represent something of a revival for the UK mining sector, which has been in decline for several decades. In addition, the UK has emerged as a major potash producer over recent decades; chiefly by the continuing development of Cleveland Potash's Boulby mine, located close to the site of the York Potash project, which has also recently begun to produce polyhalite.

In principle, I support this type of investment with its potential for job and wealth creation and its importance in helping to develop the minerals sector as a whole in the UK. However, as you rightly acknowledge, it is for the local planning authority to consider all aspects of your application and determine accordingly. I will await the outcome with interest



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Secretary of State for Business, Innovation and Skills