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What to do about stranded mining assets?

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One of the many challenges that today's mining industry face is access to infrastructure. It seems that all the "easy" and accessible projects have been discovered and exploited and now the industry is faced with developing not only more complex mineral deposits, but deposits in more remote and often inhospitable regions of the world. Without access to vital infrastructure like power, water and transportation networks, these projects are effectively "stranded" meaning that very often they are not developed or are not developed to their full potential. In resource rich jurisdictions, where the mining industry can be transformational in terms of economic growth and social development – this is a missed opportunity.

But how are countries and mining companies to realise value from these stranded mining assets? The infrastructure required for mining projects is not just the fabric of the mine itself, but also buildings to house workers and meet their social needs, power for mining operations and processing plants, and access to transport networks to move minerals from the mine-mouth to market by road or rail to port. Ports also need to have deep water berthing and adequate loading and unloading facilities. Bottle necks or shortfalls in any part of this infrastructure chain can have severe implications for the development of mining projects leaving them potentially stranded from their markets.

Typically, mining companies have built the infrastructure they need to extract the minerals and get them to market. This enables them to avoid being reliant on third party infrastructure and helps to avoid costly interruptions to operations. At the Kupol gold mine in northern Russia, famously between January and April, the only land access is via a 360 kilometre ice road to the port at Pevek. Kinross, the mine owner, rebuilds this road each year. At all other times of year, Kupol is accessible only via helicopter and fixed-wing aircraft.

Individual mine owners developing individual bespoke infrastructure can cause duplication and infrastructure can be built in an uncoordinated way. For example, in the Pilbara region in Australia, the three largest iron ore producers each operate private rail networks to transport ore from their mines to ports on the coast via three separate railways in three separate rail corridors in a close geographical area.

This sort of infrastructure is not only complex but also hugely expensive and can run to multiples of the actual mine cost making the smaller and/or more remote ore bodies prohibitively expensive to explore and exploit.

The alternative would be to have planned and shared-use infrastructure. This infrastructure could be owned by an independent special purpose vehicle, allowing multiple mining companies to pay to access railways, ports, power generation plants or water treatment facilities alongside other mining companies in the region. This infrastructure could be accessed by other sectors, such as forestry or agriculture as well as local communities. It could also work across borders. The long-term captive "customers" of this infrastructure (e.g. the mining company paying fees for using the railway or power sources) could also mean that this shared-use infrastructure has the potential to attract private finance. Shared-use could spread the costs and, if properly planned to coordinate with a country's development strategy, could facilitate broad-based sustainable and inclusive economic development.

In Queensland, Australia, an independent utility (Aurizon) has been established which owns and operates a rail freight network and port infrastructure which is particularly used by the coal and iron ore sectors. This allows multiple mining companies and other agricultural and industrial freight users to access the same transport network.

This utopia of co-operation does not seem to have been universally adopted despite some obvious advantages. This may be because these large-scale infrastructure projects come with huge complexities.

A country would need a very robust legal and regulatory system and strong coordination bodies to avoid anti-competitive behaviour and balance the competing interests of the different users and sectors with a nation's wider infrastructure plans and these skills are often lacking in the relevant government ministries. In addition, for cross-border infrastructure to work would require a huge amount of co-operation between countries Mining companies, may also be reticent to embrace shared-infrastructure, as they worry about losing the competitive advantage of controlling their own infrastructure.

With opportunities to develop previously unexploited mining assets being hampered by a lack of access to infrastructure – these assets are increasingly left "stranded" and undeveloped. If a co-ordinated approach to infrastructure across industries and jurisdictions cannot be achieved, the only solution for these stranded mining assets is to wait for the commodity cycle to turn. A sufficient rise in commodity prices might enable mining companies to fund and build the bespoke infrastructure needed in terms of power and transportation networks, to develop these individual mines. In the meantime, these assets will remain stranded.