

Mechel Audit Endangers Licenses

By [The Moscow Times](#)

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Mechel could lose mining licenses for one of its key assets after the Natural Resources and Environment Ministry said it was investigating possible operating violations.

The ministry said late last week that an audit at the Yakutugol facility in South Kuzbass from 2009 to 2011 showed possible license breaches related to output volumes and environmental codes.

Yakutugol mined about 28 percent of Mechel's total coal output last year.

The findings of the investigation were being collated before being sent to Yakutugol and possibly the licensing commission, the ministry said.

"The question of forwarding the designated material to the commission for terminating the right to use mineral resources [will be] examined," the ministry said in a statement.

Corporations doing business in Russia frequently face government reviews of production

licenses, although the grounds for scrutiny are often unclear. Mechel said it would cooperate with the investigation.

“We believe that it is possible to fulfill the requirements of the regulators at Russia’s Natural Resources and Environment Ministry,” the company said in a statement. “We always pay special attention to complying with license obligations.”

Mechel acquired full control of the asset in the Sakha republic in 2007. It is key to the company’s growth strategy.

It produced 7.8 million tons of raw coal in 2011, of which 4.7 million tons were coking coal. By 2015, Mechel wants to produce 10.7 million tons of raw coal at Yakutugol, with coking coal at 5.5 million tons. Last year, Mechel mined 27.6 million tons of coal, with coking coal concentrate production at 12.5 million tons.

Boris Krasnozhenov, an analyst with Renaissance Capital, said such inspections are routine in the Russian coal sector and that it was too early to say whether Mechel’s licenses are under threat. “They are mentioning some licenses but no numbers, no specific facts,” he said.

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