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Norilsk Nickel to Sell Foreign Assets, Double Russia Exploration

By The Moscow Times

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Norilsk Nickel, the world's largest nickel producer, plans to sell its foreign assets and double its spending on resource exploration in Russia in the face of weak metal prices, the company's chief executive, Vladimir Potanin, told The Wall Street Journal.

The move signals changes in Norilsk Nickel's strategy to focus only on large-scale, profitable "Tier 1" operations, with margins of more than 40 percent and revenue of more than $1 billion.

"I think that we are going to face relatively strong headwinds in the nickel industry for maybe a couple of years," Potanin said, though he was bullish about his company's ability to outlast its competitors."Our position is simple: If you take the cost curve, we are the last ones to shut down our plants. We just need to wait until inefficient production is shut down."

The price of nickel has plunged more than 20 percent this year, and is currently trading on the

LME at just under $14,000 per ton.

The company plans to sell its Australian, African and South African assets and bring in foreign specialists to make its domestic operations more efficient.

"Maybe, in order to work faster, I will invite Rio Tinto or BHP Billiton to make new projects, together sharing risks, financial risks, execution," he said.

While foreign companies are welcome to share the risks, they will not be let anywhere near decision making — "control over this process belongs to the Russians," Potanin said.

"Our political model requires that our natural resources stay in the hands of the Russian company and the Russian state."

Potanin met with Prime Minister Dmitry Medvedev on Tuesday, according to a statement published on the government's website. However, the agenda of the meeting has not been disclosed.

Norilsk Nickel reported a 63 percent drop in first-half net profit in August, due to lower demand from China, and non-cash write-offs.

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