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PM says POSCO to start work on steel plant in coming weeks

BY KRISHNA N DAS

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Prime Minister Manmohan Singh speaks during the launch of the "Gandhi Heritage Portal" in New Delhi September 2, 2013.

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(Reuters) - South Korea's POSCO([005490.KS](#)) will be able to start work on its planned \$12-billion Indian steel plant over the coming weeks, Prime Minister Manmohan Singh said on Thursday, ending an eight year delay for environmental and legal clearances.

Singh said the firm's request for an iron ore mining licence - the final regulatory hurdle for the project which would be the biggest foreign direct investment in India - was at an "advanced stage of processing".

The 12 million-tonnes-per-year plant in Odisha, formerly Orissa, will help world No.4 steel producer India to expand output.

India produced 77.6 million tonnes of crude steel in the past fiscal year, a fraction of top producer China's nearly 800 million last year. India's total iron ore reserve was estimated at 28 billion tonnes as of 2010 by the Indian Bureau of Mines.

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The new Environment and Forest Minister, Veerappa Moily, last week gave approval to the plant but asked POSCO to spend 5 percent of the total investment on social commitments, which would raise the project's cost to \$12.6 billion.

South Korean President Park Geun-hye's current visit to India seems to have pushed forward the project that has been hobbled by the delays in getting clearances, acquiring land and obtaining an iron ore mining licence.

"I am very happy that the large-scale POSCO steel project in Odisha is set to be operational in the coming weeks, following the revalidation of its environmental clearance," the Indian prime minister said after a meeting with Park, referring to the start of construction work for the project.

"Grant of mining concession for the project is also at an advanced stage of processing."

POSCO is expected to receive a prospecting licence, which is generally valid for three years and after which a prospector needs to apply for a mining lease.

Access to iron ore, the main raw material in making steel, is the most important factor in POSCO deciding to set up the plant in India, experts have said. POSCO officials say the company came to India to have a strong base in an emerging economy as its presence in China was below expectations.

Odisha lies in the heart of India's mining belt and holds a third of the country's iron ore reserves, a quarter of its coal, half its bauxite and more than 90 percent of its nickel and chromite. The state accounted for about a fifth of all industrial investment proposals in India in the last four years.

PROTESTS

POSCO first signed an agreement with the state in June 2005 to build the plant on 4,004 acres of land. It is seeking 2,700 acres to begin the project's first stage, which involves setting up two 4-million-tonne plants in two phases.

More than 1,700 acres have already been handed over to the company, Trade Minister Anand Sharma said on Wednesday.

"We'll do everything possible to have the project expedited," Sharma said.

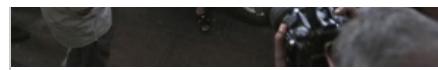
"The government would like to reinstate its commitment to foreign direct investment prior to the general elections (due by May) by expediting the process," said Ashima Tyagi, senior consultant at InfralineEnergy, a research and information services provider.

POSCO may have received most of the government clearances but it is still waiting for India's environmental court to lift a ban on felling trees for the project. The court's order was pending the environment ministry's revalidation of lapsed clearance for POSCO, which finally came through last week.

Though the company hopes the court will remove its order, it could still face some protests from environmentalists and other activists. POSCO's spokesman in India, IG Lee, did not immediately reply to requests for comment.

"We have been fighting against this project for some nine years and will continue to do so," said Prashant Paikray, spokesman for anti-POSCO group POSCO Pratirodh Sangram Samiti.

(Additional reporting by Jatindra Dash in Odisha; editing by Himani Sarkar and Keiron Henderson)



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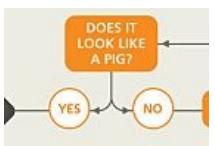
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