



2009 Minerals Yearbook

MONTENEGRO [ADVANCE RELEASE]

THE MINERAL INDUSTRY OF MONTENEGRO

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Montenegro's mineral industry included the mining and processing of bauxite, industrial minerals, and lignite. Metal production included alumina refining, primary aluminum smelting, and steel output (table 1). In 2009, Montenegro's real gross domestic product (GDP) decreased by 7% compared with that of 2008. In 2008 (the latest year for which data were available), manufacturing made up 5.4% of the GDP and mining and quarrying made up only 1.2% (Statistical Office of the Republic of Montenegro, 2009, p. 72; International Monetary Fund, 2010, p. 159).

Production

In 2009, Montenegro saw significant declines in the production of all its mineral commodities. Compared with that of 2008, production of bauxite decreased by 93%; crude steel, by an estimated 75%; alumina, by 73%; gravel and lime, each by 49%; lignite, by 45%; aluminum, by 41%; and salt, by 33% (table 1).

Structure of the Mineral Industry

Table 2 is a list of major mineral industry facilities.

Commodity Review

Metals

Aluminum and Bauxite and Alumina.—Production of alumina and aluminum decreased as Montenegro's only alumina and aluminum plant, Kombinat Aluminijuma Podgorica (KAP), faced financial losses owing to high production costs and reduced demand and prices for aluminum as a result of the world financial crisis. Montenegro's production capacity of 120,000 metric tons (t) was not significant with respect to world production, but KAP was very important for the economy of Montenegro. The En+ Group of Russia [which owned KAP's majority shareholder, Central European Aluminum Co. (CEAC)] reported that KAP and the Niksic Bauxite Mines (which were also controlled by CEAC) accounted for about 15% of Montenegro's GDP and more than 50% of its exports (En+ Group, 2009).

On November 17, the Government of Montenegro and En+ Group signed an agreement in which the Government granted assistance to KAP in return for one-half of the shares controlled by CEAC. The agreement included sovereign guarantees of up to \$188 million¹ for KAP's existing and future debt, a reduction in En+ Group's investment obligations in KAP to be made during the next 5 years (to \$54 million from \$174 million), and the linking of electricity prices to the price of

aluminum on the London Metals Exchange through 2012. The electricity price-structuring agreement was to apply to KAP's electricity tariffs incurred since January 1, 2009. In exchange for these concessions, the Government received one-half of CEAC's shares in KAP, which made the Government and CEAC the two leading shareholders in the company with 29.365% of shares each. The Government also agreed that CEAC could release up to 2,300 of the 3,900 workers at KAP and the Niksic Bauxite Mine (En+ Group, 2009; Kommersant, 2009).

Iron and Steel.—Crude steel production was estimated to have decreased by 75% to 50,000 t. Zeljezara Niksic A.D. announced in April that it would stop production and cited a lack of raw materials as the reason for the shutdown, although most likely the difficult market conditions created by the world financial crisis were a primary reason for the reduction of steel production (B92, 2009).

Mineral Fuels

Coal.—Coal production in Montenegro was not significant by world standards but was an important fuel source for domestic electricity production. Rudnik Uglja A.D. Pljevlja's mine at Pljevlja produced all the country's coal and supplied the Pljevlja thermal powerplant (TPP Pljevlja). In 2008 (the latest year for which data were available), TPP Pljevlja produced 43% of the electricity produced in Montenegro and about 25% of the total amount of electricity consumed. TPP Pljevlja, Montenegro's two large hydroelectric powerplants, and other small hydroelectric powerplants produced about 60% of the electricity consumed in Montenegro (Elektroprivreda Crne Gore A.D. Niksic, 2009, p. 21-22).

Outlook

Montenegro's mineral production is expected to remain modest. Because of KAP's dominant presence in the mineral industry of Montenegro, the success or failure of the Government assistance program will largely determine the overall picture of the industry's financial health.

References Cited

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- En+ Group, 2009, En+ Group and Government of Montenegro agree on future of KAP: En+ Group press release, November 17. (Accessed May 24, 2010, at http://www.enplus.ru/en/press/press/200911/kap_success/.)
- International Monetary Fund, 2010, World economic outlook: Washington, DC, International Monetary Fund, April, 195 p.

¹Where necessary, values have been converted from European Union euros (€) to U.S. dollars (US\$) at the rate of €0.72=US\$1.00.

TABLE 1
MONTENEGRO: PRODUCTION OF MINERAL COMMODITIES¹

(Metric tons unless otherwise specified)

Commodity ²	2005	2006	2007	2008	2009
METALS					
Alumina	235,196	236,740	240,186	220,426	58,528
Aluminum, metal, ingot, primary	116,995	121,762	124,060	107,457	63,960
Bauxite	672,345	659,370	667,053	671,811	45,779
Iron and steel, crude steel	103,567	163,165	173,849	201,670 ^r	50,000 ^e
INDUSTRIAL MINERALS					
Gravel cubic meters	47,948	82,933	92,914	146,381	74,368
Lime	6,008	8,118	7,089	9,839	4,997
Salt (sea water evaporate)	15,000	5,000	20,000	25,200	17,000
Stone, excluding quartz and quartzite, dimension, crude:					
Ornamental (marble blocks) cubic meters	21,404	43,057	51,186	50,084 ^r	30,000 ^e
Crushed and broken, n.e.s. ³ do.	92,506	98,360	161,970	179,521 ^r	120,000 ^e
Other, stone products do.	26,149	54,191	60,165	109,436 ^r	51,373
MINERAL FUELS AND RELATED MATERIALS					
Coal:					
Brown	9,000	10,000	7,000	--	--
Lignite	1,288,016	1,502,334	1,195,515	1,740,076	957,164

^eEstimated; estimated data are rounded to no more than three significant digits. ^rRevised. do. Ditto. -- Zero.

¹Table includes data available through June 4, 2010.

²In addition to commodities listed, common clay and diatomite also are believed to have been produced, but available information is inadequate to make reliable estimates of output.

³Not elsewhere specified.

TABLE 2
MONTENEGRO: STRUCTURE OF THE MINERAL INDUSTRY IN 2009

(Thousand metric tons)

Commodity	Major operating companies and major equity owners	Location of main facilities	Annual capacity
Alumina	Kombinat Aluminijuma Podgorica (KAP) (Central European Aluminum Co., 29.365%, and Government of Montenegro, 29.365%)	Podgorica	280
Aluminum, primary	do.	do.	120
Bauxite	Niksic Bauxite Mines (Central European Aluminum Co.)	Kutsko Brdo	700
Coal	Rudnik Uglja A.D. Pljevlja	Pljevlja	2,000
Steel, crude	Zeljezara Niksic A.D. [MN Specialty Steels Ltd. (MNSS B.V.), 90%]	Niksic	380
do. Ditto.			