The Greek mineral sector is an overlooked, but developing industry in the country. Greece's varied soil and geomorphic layers host a variety of minerals and metals. Some are rare, others are not, but all still have different industrial uses and financial value.

However, looming not far in the background of the public and political discussion of the mineral sector is the issue of how the perceived profitability of mineral exploitation is being affected by possible currency changes in years ahead. Although this aspect deserves a study of its own, it is interesting to keep in mind when considering why certain investments have or have not been made in the minerals sector at this time.

Strong Public Reaction to Mining Plans

The strong degree of public opposition to mining resurfaced recently, in the form of protests against ongoing gold investment by a Canadian company, Eldorado Gold. The company's operations are in the Halkidiki region of northern Greece, an area noteworthy as a summer-tourism destination on the beaches of Kassandra and Sithonia peninsulas, and as host of the secluded monastic community of Mt Athos on the eponymous peninsula. The latter is the closest to the recent mining protest scene, in Ierissos village.

There, a fierce political battle ensued last month between protesters against the gold extraction project, including environmentalist groups, Leftist parties and supporters, as well as local residents protesting the potential destruction of the local tourist industry, which would be severely affected by mining in their view.

On the other hand, employees of the companies, the incumbent Greek government and most business associations supported the Canadian investment, and similarly are calling for a general boost in investments in the Greek mineral sector.

Still, the opposition has developed to a point where "commando-style" attacks by opposition activists occur against the premises of the companies, while the whole affair has divided the country between two sides, each having its own set of arguments and ferociously backing its claims in the national media. Thus the sectoral overview below will shed light not only on future investment opportunities, but also on other potential opportunities for political brinkmanship, as was the case recently at Ierissos.

Great Potential: Gold, Betonite, Lignite, Copper, Magnesium and More

The Greek state Institute for Geology and Mineral Exploration (IGME) has recently estimated the monetary value of the mineral reserves in the country as around $200 billion, with a distinct concentration of highly sought-after industrial minerals such as nickel, bauxite and gold.

The Eldorado Gold Corporation mentioned above is already developing a $1.8 billion project through 2016. Apart from gold extraction, it includes the exploitation of 700,000 tons of copper from its field. Also the Thrace region, and especially the Evros prefecture in the east near Turkey is estimated to contain another 420 tons of gold. However, public opposition is

growing strong in this largely agricultural area as well.
Lignite is another mineral used mainly for consumption in electricity power stations of the DEI public power company, with Greece being both one of the largest producers and depositors of that type of coal in Europe, with around 55 million tons of annual production, and more than 7 billion tons of reserves.
Betonite and perlite are another two minerals used for the production of cement, and a Greek company named "A& B Argyrometalavmata Varytini", is the global leader in their production. This is mostly from its sites on the islands of Milos and Kimolos. This mineral, a by-product of volcano geological formations, is mainly exported to the Asian markets.
Another similar mineral is the "light stone," with similar physical features. The island of Nisyros and the nearby island of Gyali have estimated reserves of 150 million tons (being entirely volcanically-formed islands). There production is carried out by the LAVA Metal Company.
Moreover, as of 2013 around 70 regions in Greece produce marble and other stone-based products, with an annual production (2012) of 28 million tons. In 2008, when the country's construction sector was booming local extraction exceeded 90 million tons; however, the current 75% drop in housing investment has shifted the product towards foreign markets.
Regarding metal production and more specifically bauxite, magnesium, nickel, zinc and similar products, the 2012 output was at 5.5 million tons, the vast majority of this being exported. Further, betonite, perlite, asbestos and other similar minerals had a production volume of 6 million tons during the same period.

New Discoveries in Evros: Zeolite and Gold

Apart from the established production units, new discoveries have attracted interest. One of these, zeolite, is again in the Evros region. There are estimated reserves of 100 million tons of this aluminosilicate mineral, used for industrial processes including water purification, detergent manufacturing and even nuclear reprocessing.
Here, a company named Geo-Vetis is in the process of investing, though various local interests – including a Greek competitor – have managed to stall the project. It is of interest to note that up until now Greece has been importing approximately 50-70,000 tons of the mineral, while it could by now have become one of the largest producers of it worldwide. If that particular project now envisioned does move on, this might occur. The tentacles of bureaucracy and the intermixture of influential political figures with opposing business interests have for the moment been in favor of imports instead of production.
In the same region, the company Hellenic Gold is vying to invest $250 million for gold production, although public opposition is already on a high level, presumably obstructing the implementation of at least the major part of the company's business plan in Evros

Thinking Outside of the Vault

Greece's gold reserves, in the state vault and in the central bank, are estimated at around

$7 billion, according to today's prices. This is a substantial amount, but barely enough to make a serious difference when it comes to issues like the national debt.

On the other hand, if the gold reserves in the country were fully exploited, this could produce 500,000 ounces per year for the next 30 years. At today's prices, that equals around $800 million USD- or, $24 billion in 30 years. In fact, should Greece leave the eurozone, either voluntarily or if forced, these mineral resources would be of great importance regarding the capability of importing foreign exchange, mostly US dollars or euros from the international companies trading in them.

Nickel production is currently under the control of state company LARCO, which constitutes an illustrative example. LARCO is currently on the brink of financial collapse and is ready to be sold, probably for less than 300 million euros. The company produces around 300,000 tons of nickel per year. Further, its actual reserves are around 100 million tons, which at today's prices equals 20 billion euros. The company also owns a private port that can accommodate vessels up to 150,000 tons in size, and has tens of thousands of hectares of land in its portfolio, including a small town where the majority of its workers reside.

Yet with the euro being the official currency of Greece, production cannot be increased, due to rising costs of all sorts. In contrast a return to the drachma will make Greek nickel especially cheap, creating a huge incentive for the boosting of production volumes, with a subsequent increase in jobs, foreign investments and much-needed foreign exchange.

The Real Deal

In reality, despite the country nominally having considerable amounts of minerals, Greece has two serious obstacles for their exploitation. One is public opposition, which seems to be only getting stronger and which has already led to a convergence of worried local residents with radical anarchists. Another perhaps greater obstacle is the euro itself, since the profits to be made by any company are seriously hindered by the appreciation of the euro against the dollar, with the latter being the value of transaction for all minerals in the international markets.

In fact, apart from investments in gold, there has been relatively little interest in other minerals. This is due partly to gold's historical high price, and rising demand for it by countries such as China and India. With today's prices at $1,600 per ounce and a production cost in Greece of $1,000, a substantial profit could be made with new investment.

Still, little is to be expected in terms of any mass introduction of capital into the country that would also ease the debt burden and create jobs, so long as Greece remains in a zone of countries (that is, the eurozone) that are consumers of minerals. Such a group thus needs an appreciated currency versus the dollar. On the other hand, while the re-introduction of the drachma will lead the banking-financial system into collapse and nationalization, minerals, agriculture shipping and tourism will boom.

This interesting observation raises the topic for a potential study that will examine the hardening of the battle lines in the country: between the local finance and import-related world (the pro-euro faction) and the production and export interests (generally anti-euro). Source;Balkananalysis