

# ICELAND

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Iceland's economy continued to slow down with a forecast gross domestic product growth of only 2% from that of 2000. Inflation in terms of change in consumer price index was 4.3% for 2001. The country has few demonstrated mineral resources, although deposits of diatomite were mined. Iceland continued to exploit its abundant resources of renewable energy. Virtually all of its electricity and heating came from hydroelectric power and the geothermal water reserves. With no fossil fuel resources of its own, the country relied on imported oil.

Norsk Hydro ASA of Norway postponed a decision to construct a new aluminum smelter in Reydarfjordur, Iceland, until February 2002. If the company and its partners in the project make a positive decision, the first phase of construction of the smelter would start in September with an output of between 240,000 metric tons per year (t/yr) and 280,000 t/yr beginning in 2003. A decision would be made during the second phase whether or not to increase production to between 360,000 t/yr and 420,000 t/yr (Mining Journal, 2001). The partners included Reydaral (jointly owned by Norsk Hydro and Haefi of Iceland) as builder and operator, Landsvirkjun (Icelandic national power company), and a group of Icelandic investors. Landsvirkjun was to build and operate the associated powerplant that would supply electricity to the smelter. The project was expected to cost around \$1 billion and to use Norsk Hydro's smelting technology (Metal Bulletin, 2001).

Celite Corp. of the United States sold its interest worth \$1.5 million in a diatomaceous earth plant in northeastern Iceland, which used natural hot steam to process diatomite ore from Lake Myvatn. The buyer was Allied EFA of the United States, which was 60% owned by Allied Resource Corp. of the United States and 40% by EFA Holding Co. of Iceland. Allied EFA planned to upgrade the plant with technology that would allow production of higher value-added products such as processed diatomite powders for specific industrial applications. A decision of the Ministry of Environment to grant a permit for dredging in a new area of the lake prevented the mining

operation from being shut down. The Government studies determined the additional mining would not damage the environmentally sensitive lake (U.S. Embassy, Reykjavik, Iceland, 2001).

The Ministry of Industry issued its first approval of seismic operations in waters off Iceland. InSeis of Norway, a geophysical contractor, started surveys of southern Jan Mayen ridge using the *Polar Princess* research vessel. The area is between Greenland and Norway, northwest of the Faroe Islands (Oil & Gas Journal, 2001).

The Burfell hydroelectric project was the largest powerplant in the country with a capacity of 240 megawatts (MW). The other major hydroelectric powerplants were at Hrauneyjarfoss (210 MW) and at Sigalda (150 MW). Iceland was exploring the feasibility of exporting hydroelectric energy via submarine cable to mainland Europe and also actively sought to expand its power-intensive industries including aluminum and ferrosilicon (U.S. Department of State, 2002).

## References Cited

- Metal Bulletin, 2001, Hydro postpones decision on Icelandic smelter: Metal Bulletin, no. 8608, September 17, p. 7.  
Mining Journal, 2001, Icelandic smelter decision delay: Mining Journal, v. 337, no. 8654, October 5, p. 262.  
Oil & Gas Journal, 2001, Exploration & development: Oil & Gas Journal, v. 99, no. 37, September 10, p. 58.  
U.S. Department of State, 2002, Country background notes—Iceland: U.S. Department of State, May, p. 7.  
U.S. Embassy, Reykjavik, Iceland, 2001, Recent economic events—Iceland: U.S. Department of State Telegram 0260, May 16, p. 4.

## Major Source of Information

Ministry of Industry and Trade  
Arnarhvoli  
Reykjavik, Iceland 2000

TABLE 1  
ICELAND: ESTIMATED PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity	1997	1998	1999	2000	2001
Aluminum metal, primary 2/	122,900 3/	173,400 3/	219,509 3/	224,439 3/	242,600 3/
Cement, hydraulic 4/	101,000	117,684 3/	131,292 3/	143,734 3/	155,000
Diatomite	26,000	26,000	28,299 3/	27,614 3/	28,000
Ferrosilicon	70,000	68,000	70,933 3/	70,000	70,000
Nitrogen, N content of ammonia	7,400	5,900	6,500	6,500	3,300 3/
Pumice and related volcanic material:					
Pumice	25,000	25,000	25,000	25,000	25,000
Scoria	500	500	500	500	500
Salt	4,000	4,000	4,000	4,000	4,500
Sand:					
Basaltic cubic meters	1,200	1,000	1,000	1,000	1,100
Calcareous, shell do.	82,000	80,000	80,000	80,000	80,000
Sand and gravel thousand cubic meters	3,600	3,600	3,600	4,000	4,000
Silica dust 5/	14,000	12,000	11,628 3/	12,000	12,000
Stone, crushed:					
Basaltic	90,000	90,000	90,000	95,000	95,000
Rhyolite cubic meters	16,500	16,500	16,500	17,000	17,000

1/ Table includes data available through May 21, 2002.

2/ Ingot and rolling billet production.

3/ Reported figure.

4/ Sales.

5/ Byproduct of ferrosilicon.