

MINERALS & MINING IN INDIA

New Government Policy and Prospects

“The trouble consists in the fact that the old is dying and the new is yet to be born; in this interregnum a variety of morbid symptoms appear.”

Antonio Gramsci

Indian Mining: The Debates

- The R&R Question: impact on communities, compensation
- Environmental impact issues, intergenerational equity
- The Allocation debate:[iron ore]
- -Captive Mines vs. Standalone Mines
- -Mineral Exports vs. Domestic Value-add
- -Public Sector vs. Private Sector
- -Federal Govt vs. Provincial Govts

MINERAL INDUSTRY PROFILE

- India produces around 90 minerals
- Characterized by small operational mines (total around 3000)
- Around 600 mines of metallic minerals, 600 mines of coal & lignite
- Around 780 mines in the public sector and remaining in the private sector.
- Mining sector accounts for 2% of GDP
- India ranks 4th in global iron ore production
- 3rd in coal and lignite
- 7th in manganese ore
- 8th in aluminium and refined copper.

MINERAL RESOURCES

- Total resources of hematite estimated at 14,630 million tonnes of which 7,004 million tonnes under 'reserves' category.
- Total resources of Magnetite ore are estimated at 10,619 million tonnes of which merely 58 million tonnes under 'reserves' category.
- Total resources of Manganese ore are estimated at 378.6 million tonnes of which 138.2 million tonnes under 'reserves' category.
- Total resources of Chrome ore are estimated at 213 million tonnes of which 66 million tonnes under 'reserves' category.
- Total resources of Coal as on 1.1.2006 are estimated at 253.30 billion tonnes of which 95.866 billion tonnes were proven reserves.

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MINERAL RESOURCES

- Total prime coking coal reserves were 5.31 billion tonnes.
- The total reserves of Lignite, as on 1.1.2006, were 38.27 billion tonnes.
- Total resources of Bauxite are estimated at 3290 million tonnes of which 899 million tonnes under 'reserves' category.

Iron ore Reserves - India

Unit: Billion Tonnes

	Proven	Prospected	Total	%
Hematite	7.004	7.626	14.630	58
Magnetite	0.056	10.561	10.617	42
Total	7.060	18.187	25.247	100

INDIAN MINING SECTOR - Features

- India belongs to the Gondwana land mass, hence resources similar to Australia, South Africa and South America.
- Large mineral resources – iron ore, bauxite, stones, base and noble metals.
- India is an underprospected country, hardly any geophysical or geochemical mapping.
- India does not have a well developed mining sector as conventionally understood.
- Indian mining is limited to some bulk minerals (hematite, bauxite, limestone) which are close to the surface.
- Most of Indian mining is in the SME or captive sector, with exceptions like NMDC.

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INDIAN MINING SECTOR - Features

- Most of Indian prospecting through Geological Survey of India, a Government agency.
- Indian spends 5 million US\$ a year on exploration, Australia \$ 500 million and Latin America \$ 700 million, major part of Indian exploratory spending on coal .
- Negligible private sector presence in prospecting.
- In 2000, mining sector opened out to 100% FDI.
- However, hardly any of the Prospecting Licenses have been converted into Mining Leases.
We have been unable to fully harness private sector energies in the mining sector due to factors like gaps in the policy environment and enabling laws, complexity of procedures, long timelines and the need to balance stakeholder / ecological considerations.

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INDIAN MINING SECTOR - Features

However, Indian mining sector enjoys advantages like:

- Relatively low labour and conversion costs.
- Large domestic market for value addition.
- Proximity to developing Asian markets.
- Government incentives, tax reliefs, full depreciation for certain ranges of equipment.

INDIAN MINING SECTOR - Weaknesses

- Low level of technology adoption
- Prevalence of open-cast mining and relatively underdeveloped state of underground mining.
- Inadequate investment in training, development & R&D
- Limited access to capital for mining entities and sub-optimal operations
- Inadequate access to infrastructure including transport, ports and logistics
- Complexities in settling stakeholder/ rehabilitation issues.
- Complex procedures for settling environmental issues.
- Present fluid situation arising from changes in the policy scenario for the mining sector.

Regulatory Regime in Mining Sector

- In the federal structure of India, the State (provincial) Governments are owners of minerals located within the boundary of the State concerned. The Central Government is the owner of minerals underlying the ocean within the territorial waters or the Exclusive Economic Zone of the India.
- The State Governments grant the mineral concessions for all the minerals located within the boundary of the State, under provisions of the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act) and Mineral Concession Rules, 1960. For minerals specified in the First Schedule to the MMDR Act (which include iron ore, manganese ore and chrome ore), before granting the mineral concession, approval of Central Government (Ministry of Mines) is necessary.
- The Mines and Minerals (Development and Regulation) Act, 1957 (MMDR) and the Mines Act, 1952, together with the rules and regulations under them constitute the basic laws governing the mining sector.

New Mineral Policy, 2008

- Arising from recommendations of 'Hoda Committee'
- Enable private investment in exploration and prospecting.
- Clearer regulatory environment, security of tenure , transferability of rights, transparency.
- Sustainable development of mineral areas, best practice R&R.
- Focus on value addition, also mining as a standalone economic activity.
- PPPs for mining area infrastructure.
- Balancing of Federal – Provincial Governmental concerns.

New Policy and Procedural Regime

- The Mines & Minerals (Regulations & Development Act) to be amended, also the Rules.
- Unbundling prospecting from mining.
- Seamless concessions Reconnaissance → **Prospecting** → **Mining**.
- Two fresh instruments:
 - i) **Non-exclusive Reconnaissance Permit.**
 - ii) **Large Area Prospecting License (L.A.P.L.).**
- Fair allocation of Govt. prospected deposits.
- Single window for mining clearances.
- Independent Mining Tribunals, with powers to intercede in delays
- Simplify procedures for Environmental Clearances.
- Create Mining Infrastructure Finance and Development Corporation.
- Viability Gap funding with mining royalties for infrastructure.
- Preference for value addition.
- No quantitative restrictions for exports

Next Steps

- The New Act to be brought before Parliament and Rules framed.
- New Governance structures to be put in place.
- Prospects for beneficiation of iron ores and pelletisation.
- At least 250 million USD of annual investment expected initially.
- India is rich with potential for mining investment, especially in view of commodity prices boom.

Thank You