

Commercial implications of new mineral policy

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India produces a total of 88 types of minerals, including four fuel related, 10 metallic minerals, 50 non-metallic and 24 minor minerals, accounting for around 5.3% of the world's mineral production.

Against the backdrop of a long phase of policy gaps and judicial interventions across the mineral and resources sector, the National Mineral Policy, 2019 (policy), has now been notified to bring about changes making India's mineral and resources sector globally competitive and moving closer towards resource security.



Exploration incentives: The policy proposes simpler, more transparent and time-bound procedures for obtaining clearances, incentives for the use of state-of-the-art technologies in exploration of minerals, the right of first refusal at the time of auction and seamless transition from reconnaissance permit to prospecting license to mining lease or auctioning of a composite reconnaissance permit cum prospecting license cum mining lease in virgin areas on a revenue-sharing basis, or any other appropriate incentive in accordance with international practices. It also proposes tax incentives for risk capital and industry status to the mining sector.

Security of tenure: The policy proposes assured security of tenure to the concessionaire and an increase in the trust levels in the process by way of inclusive policies, increased responsiveness, better regulation, transparency, openness and fairness.

No-go areas: Ecologically fragile areas will be declared as “inviolable or no-go areas” out of bounds for mining and exclusive mining zones will be created with prior in-principle statutory clearances demarcated for the mineralized belt. This will give clarity to all stakeholders and will avoid conflict of interest and curtail delays in starting mining operations.

District mineral foundation: The policy proposes a district mineral foundation that will be guided by the provisions of the Prime Minister's Mineral Area Development Plan for the inclusive and equitable development of people and areas affected by mining.

Inter-generational equity: The policy notes that the state has to ensure that future generations will receive the benefits of inheritance and, therefore, it has to receive the full value of the extracted minerals. Further, the policy proposes that inter-generational equity should be assessed using a disaggregated approach and be adopted considering the reserves or resources and their potential for reuse through recycling.

Exclusive regulatory authority: The policy proposes to establish a national-level unified authority, as an inter-ministerial body under the Ministry of Mines, to ensure the fulfilment of policy objectives. The authority will comprise members from the Ministry of Coal, Ministry of Earth Sciences, Ministry of Tribal Affairs, Ministry of Rural Development, Ministry of Panchayati Raj, Ministry of Steel, and state governments.

Pricing of mining commodities: Enabling investment through foreign direct investment will be key to making mineral-based materials available to domestic users at a reasonable price. This implies lesser government influence, which would make mining more attractive to investors.

Resolving environmental issues: The policy provides a two-fold approach for the resolution of environmental issues pertaining to the mining industry. It highlights prevention and mitigation as the means to achieve sustainable development and to resolve environmental issues.

Geological information: The policy lays down various guidelines to facilitate geological exploration by providing greater clarity on issues such as access to information. It proposes open dissemination of information in a digitized format with automated updates on the concession lifecycle with respect to baseline and mineral exploration data, national inventory of mineral resources, and the mining tenement system.

The policy attempts to integrate the country's overall strategy on economic development and guide the exploration, extraction and management of minerals. The new regulatory environment is likely to provide a fillip to ease of doing business. The policy focuses on the promotion of domestic industry, the reduction of dependence on imports, the provision of an efficient regulatory mechanism, high penetration of e-governance systems, employment generation and the requirement for a unified authority.

The policy seeks to make mining a stand-alone industry in India, thus giving impetus to attract further industry-specific investment, which is coupled with the introduction of the long-term export-import policy for the mining sector.