

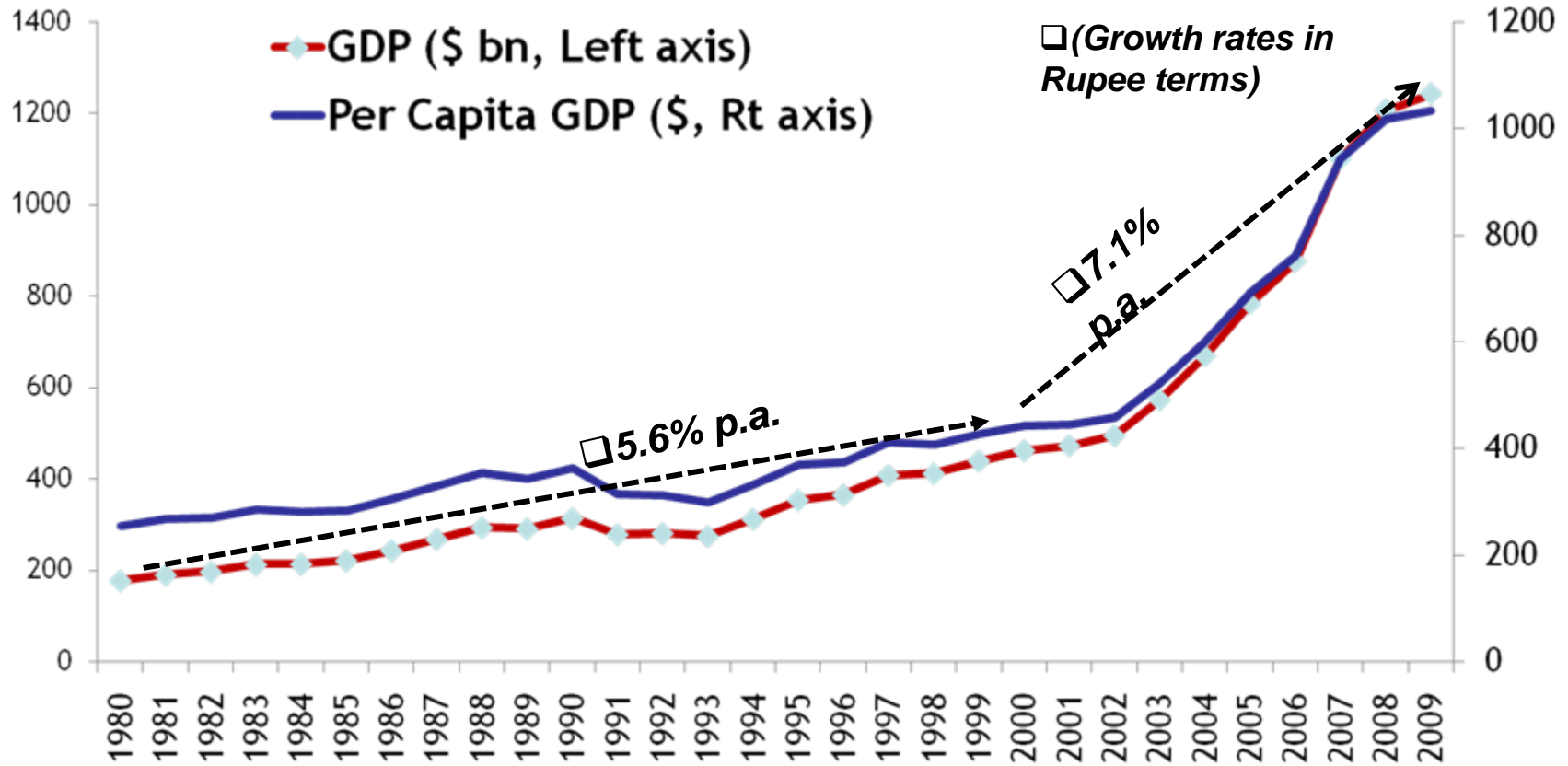
**REGULATORY ISSUES
AND GOVERNMENT INITIATIVES
IN MINING SECTOR**

MINISTRY OF MINES

Indian Economy : At a glance

- World's largest democracy : Stable polity, Robust Economy and Strong Judicial System.
- Second fastest growing economy in the world.
- Fourth largest economy in terms of purchase power parity.
- Fast growing consumer base : current 400 mn and to reach 800 mn by 2020.
- Preferred destination for Global investors.
- Balanced economic growth : Manufacturing , Services and Agriculture.
- Robust and forward looking regulatory mechanism.

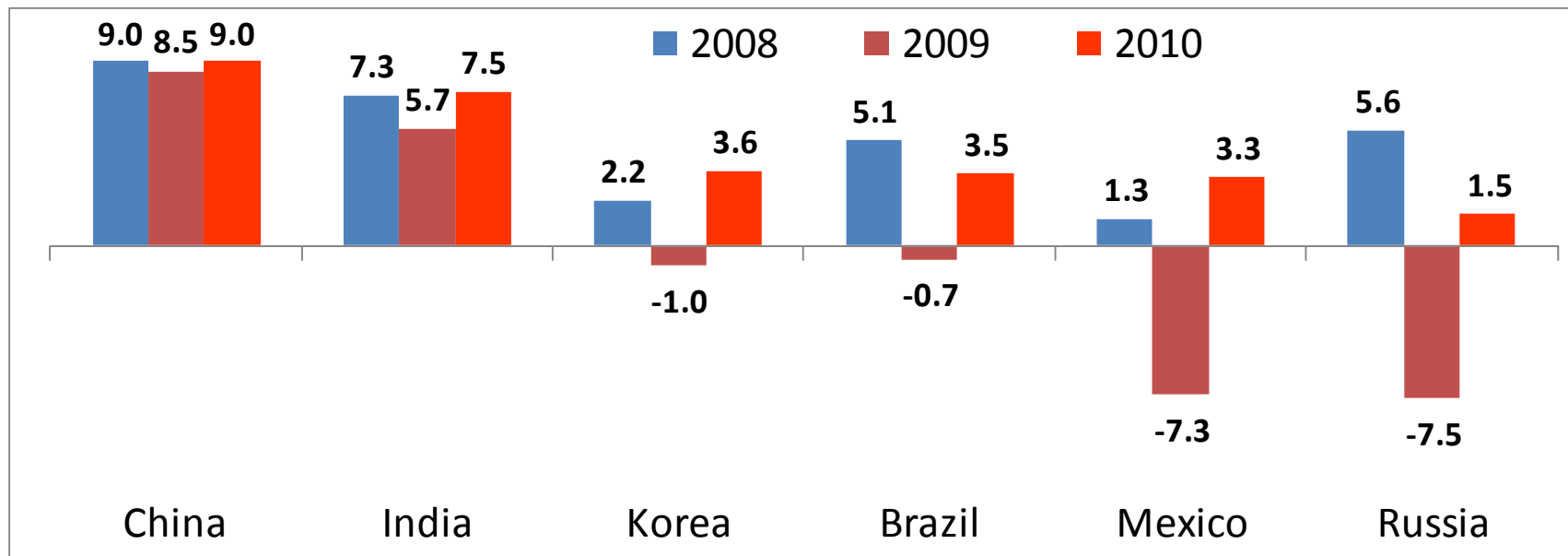
Indian Economy on an accelerated path



- **4th largest economy (\$3.5 trn in PPP terms); home to 18% of world population**
- **Fastest growing market economy with democratic institutions**
- **63% of GDP in Services sector, 17% in agriculture and 20% in industry**

India's growth is second only to China

□ GDP Growth (2008-2010)



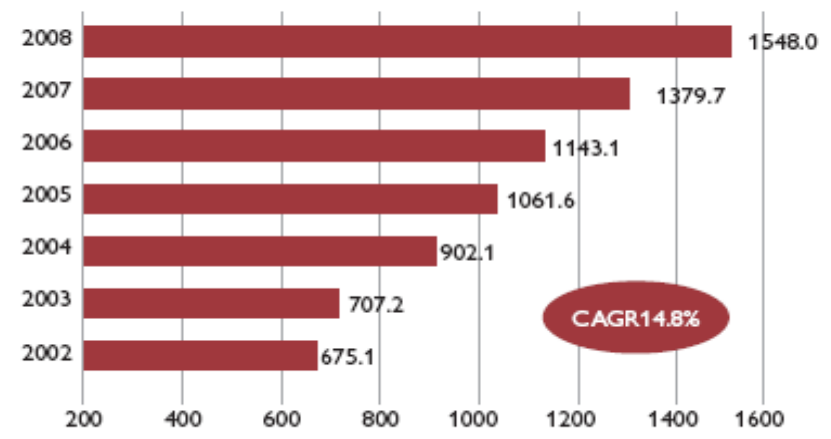
□ BRICs: Key Indicators

	GCI 2009-2010	GDP (US\$ billion)*	GDP per capita	GDP CAGR (%)	Population (millions)	
	rank (out of 133)	2008	(US\$), 2008	1991-2008**	2008	2050
China	29	4,327	3,259	9.8	1,336	1,409
India	49	1,207	1,017	6.2	1,186	1,658
Brazil	56	1,573	8,295	2.9	194	254
Russian Federation	63	1,677	11,807	1.9	142	108

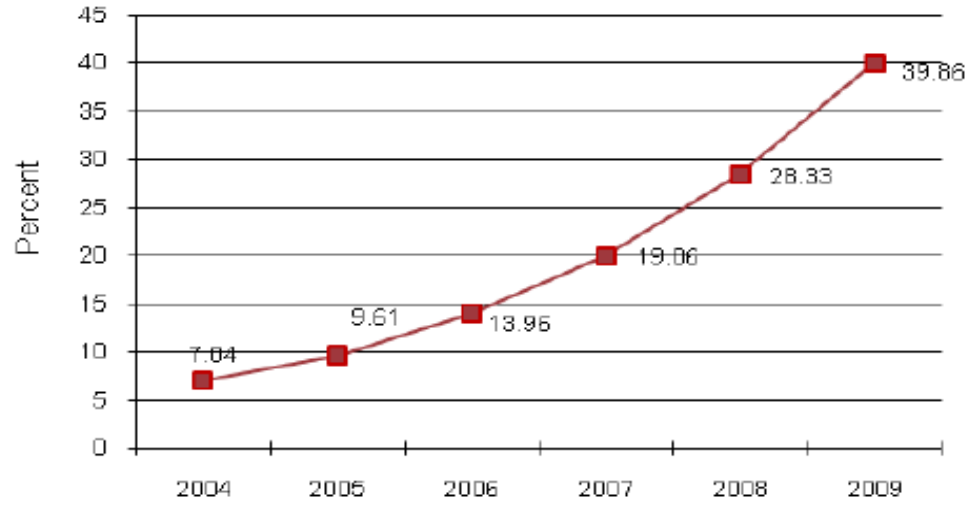
* Current prices. **1992-2008 for Russian Federation □ GCI: Global Competitiveness Index Rank

Growth in many industries is exponential ...

Domestic passenger vehicles industry
thousand units

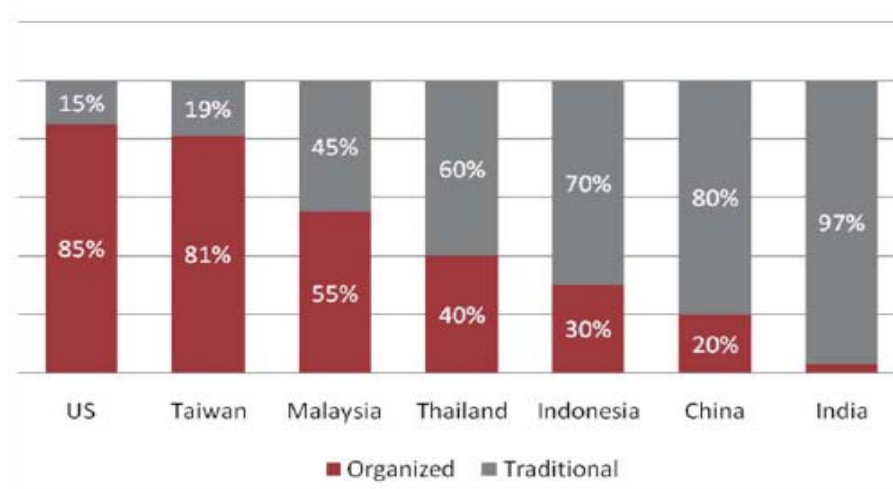


Teledensity in India

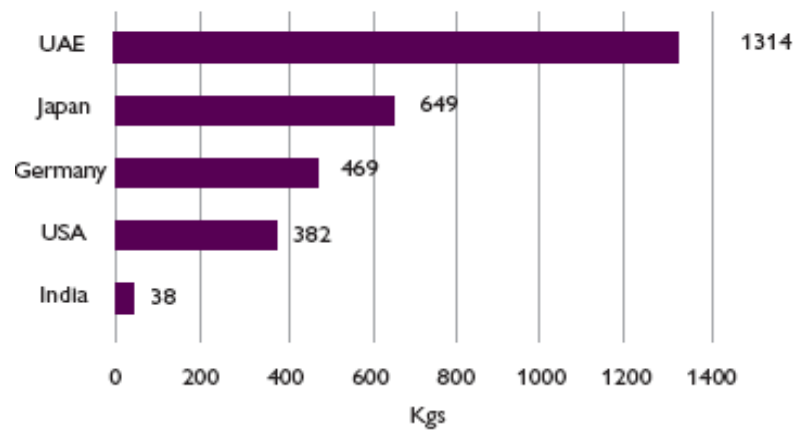


□ ... as India is rising from a low base

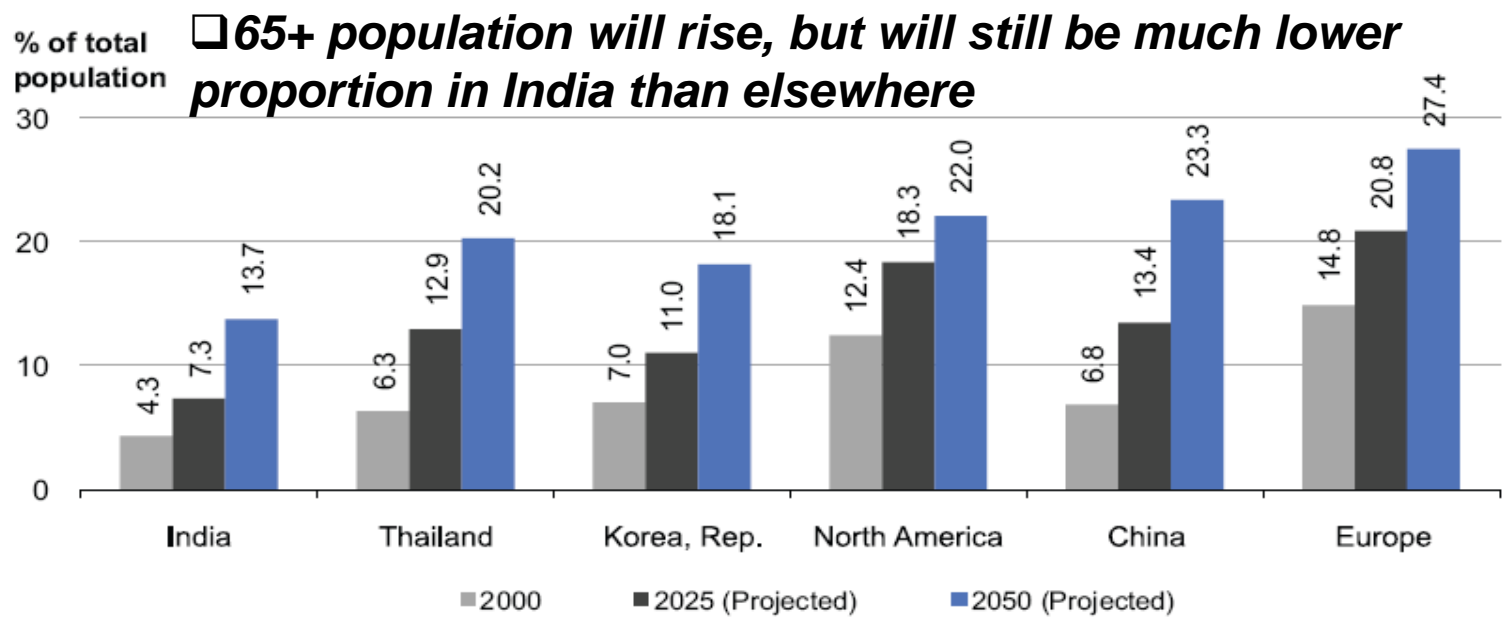
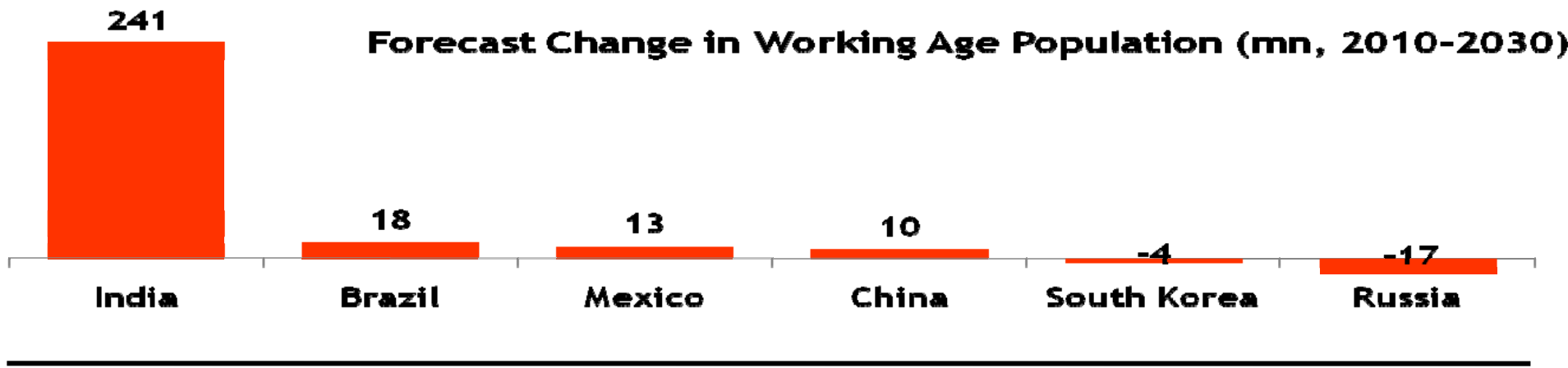
Comparative penetration of organised retail, 2006



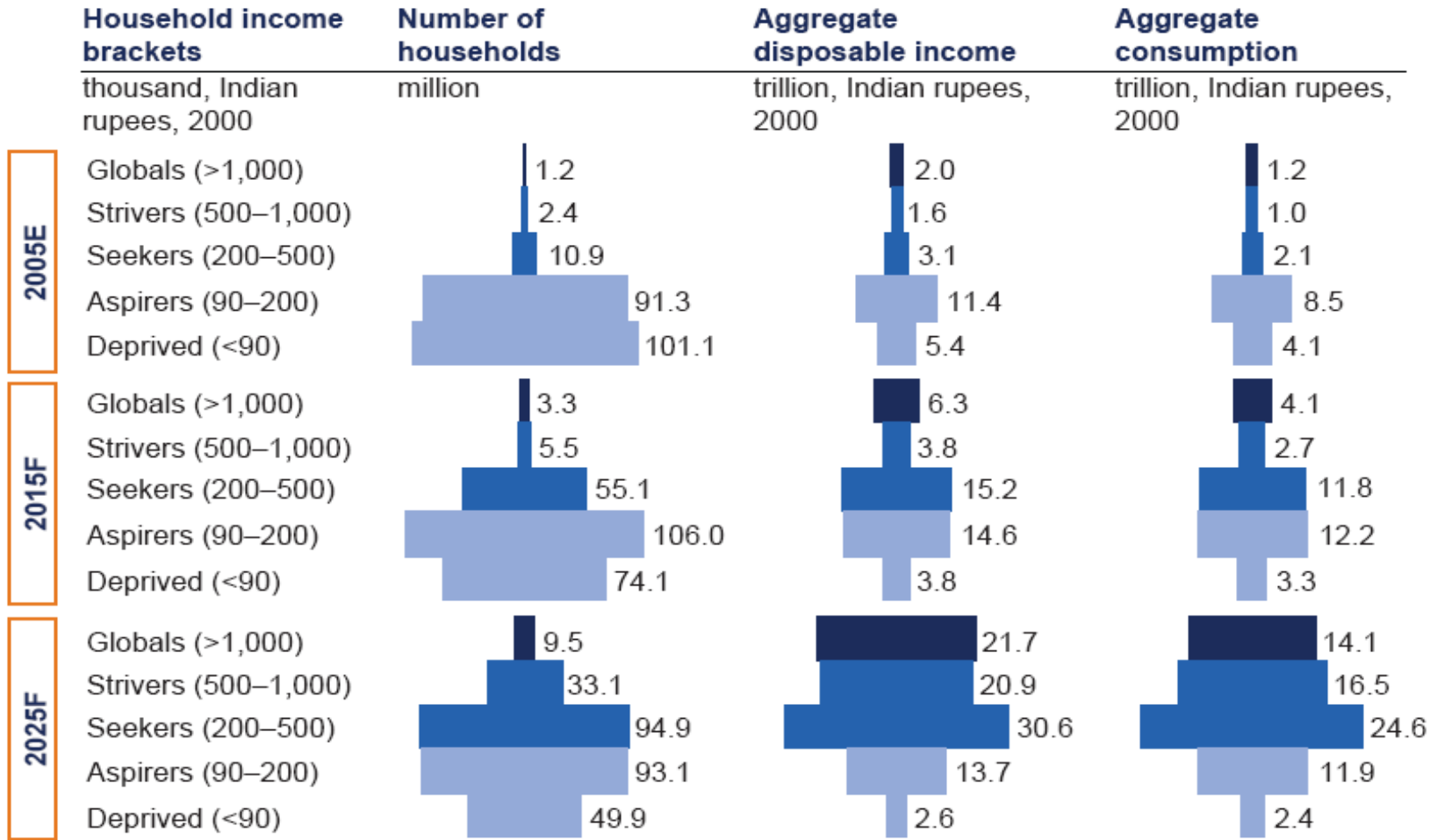
Per Capita Consumption of Steel



Demographics - Indian growth story for next two decades



Swelling Middle Class, Rising Consumption



Source: Mckinsey Global Institute, 2007

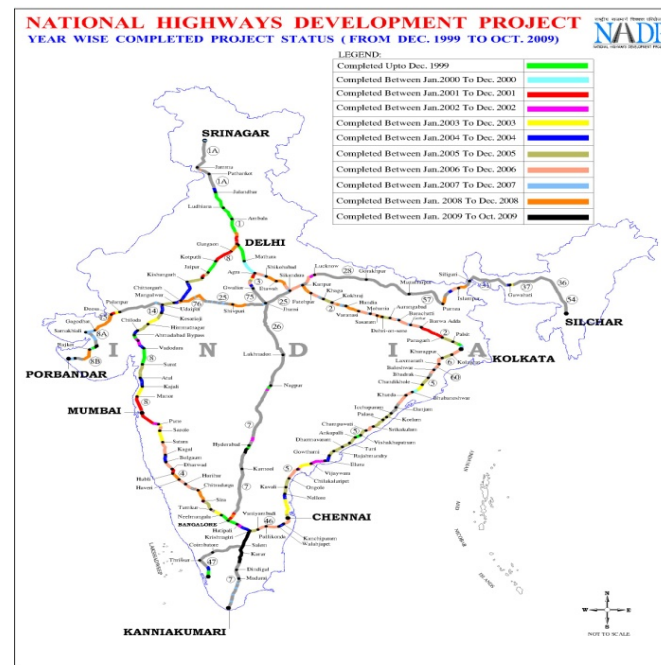
India will become the world's fifth largest consumer market by 2025

Infrastructure Investment: An imperative for country, opportunity for many sectors

Investment in Infrastructure Sector (USD Bn)

Sector	10th Plan (2002-2007)	11th Plan (2007-2012)
Energy	70.5	150.4
Roads and Bridges	31.7	76.1
Telecommunication	22.5	65.1
Railways	20.3	62.2
Irrigation	32.1	53.1
Water Supply and Sanitation	15.6	48.6
Ports	1.3	18.0
Storage and Gas	4.4	10.5
Airports	2.1	8.5
Total	200.5	492.4

National highways programme is changing India's landscape

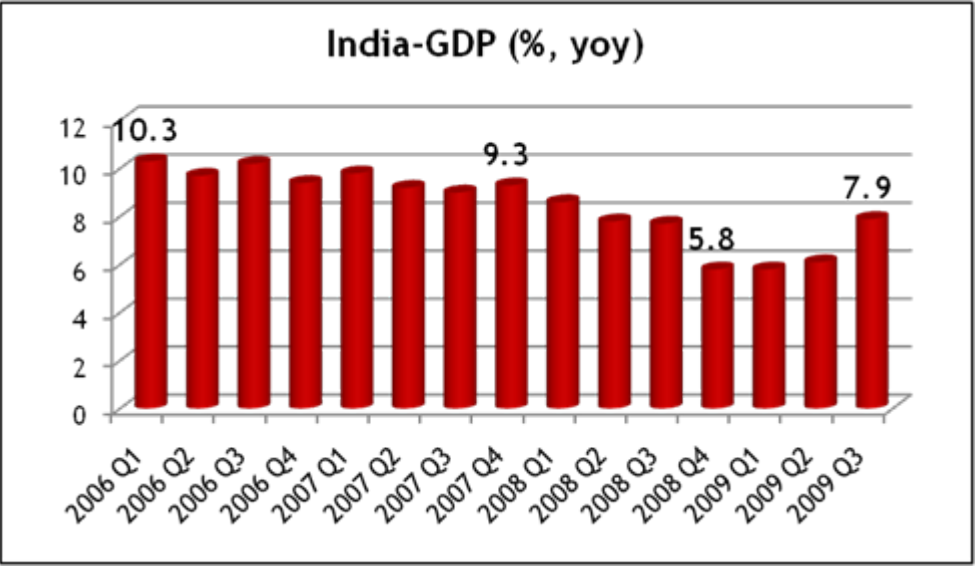


- Total programme: 34,800 km
- Completed: 12,531 km
- Under implementation: 6,190 km
- Balance: 15,116 km

Impact of Global Financial Crisis :

- Not a single Indian bank failed or faltered.
- Financial sector showed extraordinary resilience to weather global crisis – a lesson to many world economic power.
- Quick recovery after temporary blip.
- Domestic consumption largely un-affected.
- Slowdown in GDP due to drop in exports – exposure to Europe and USA.
- Quick Govt. response helped speedy recovery.
- Well poised to capture emerging opportunities.

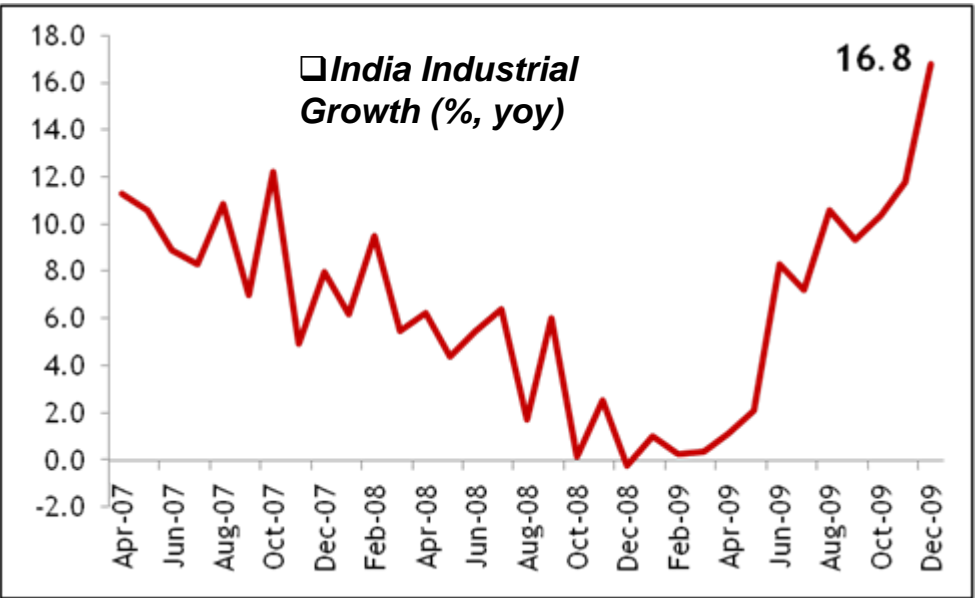
India: Growth bounced back strongly



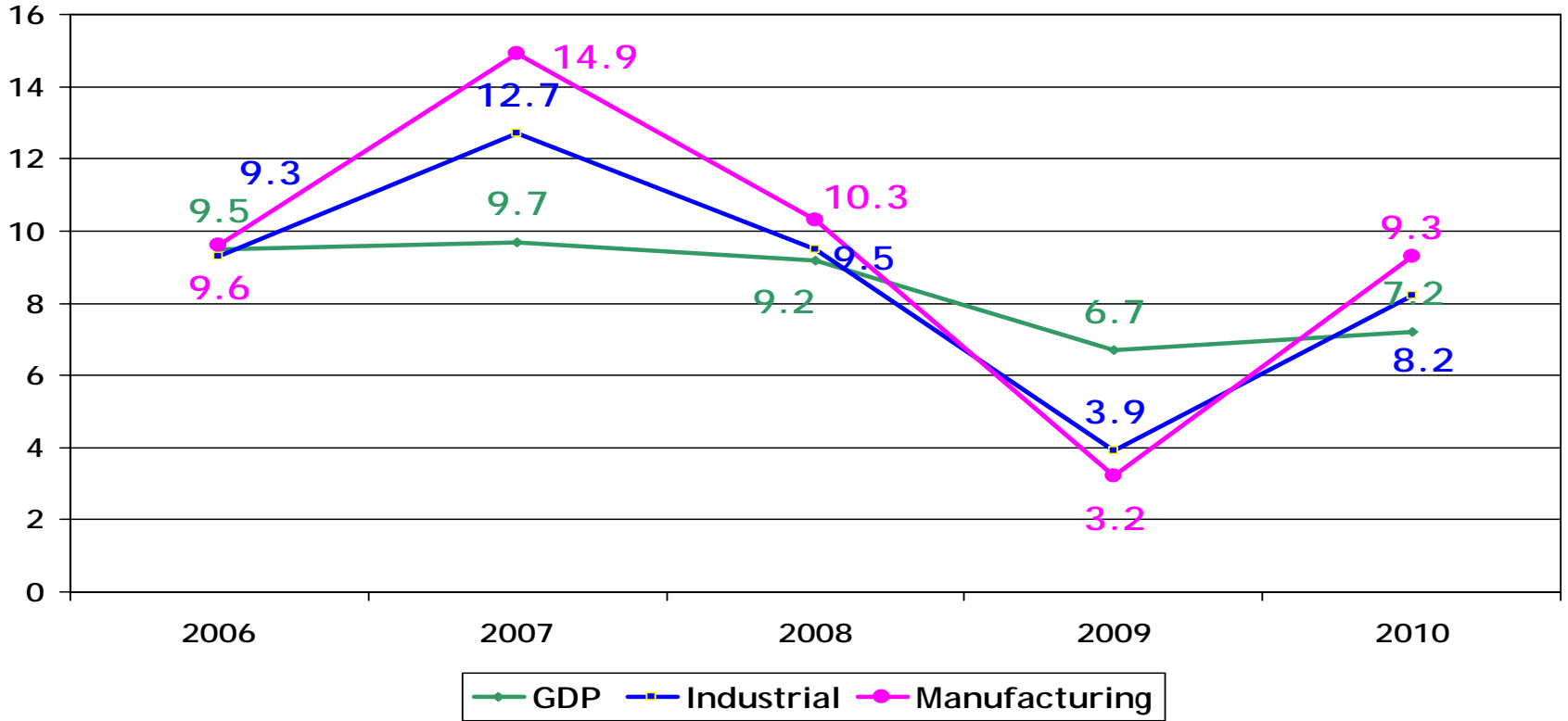
- *Growth estimated at 7.2% in FY10 despite a marginal de-growth in agriculture after a drought*
- *Initial growth revival was largely supported by govt consumption, but appears quite broad now -*

- *Cement consumption up 13% (Jan)*
- *Car sales up 32% (Jan)*
- *Credit growth at 14% (Jan) from <10% in Oct*
- *Exports up 18% in Nov and 9% in Dec after 12 months of decline*
- *Steel consumption up 8.7% (Jan)*
- *Aluminium consumption up 39% (Jan)*

□ (All growth rates above are yoy)

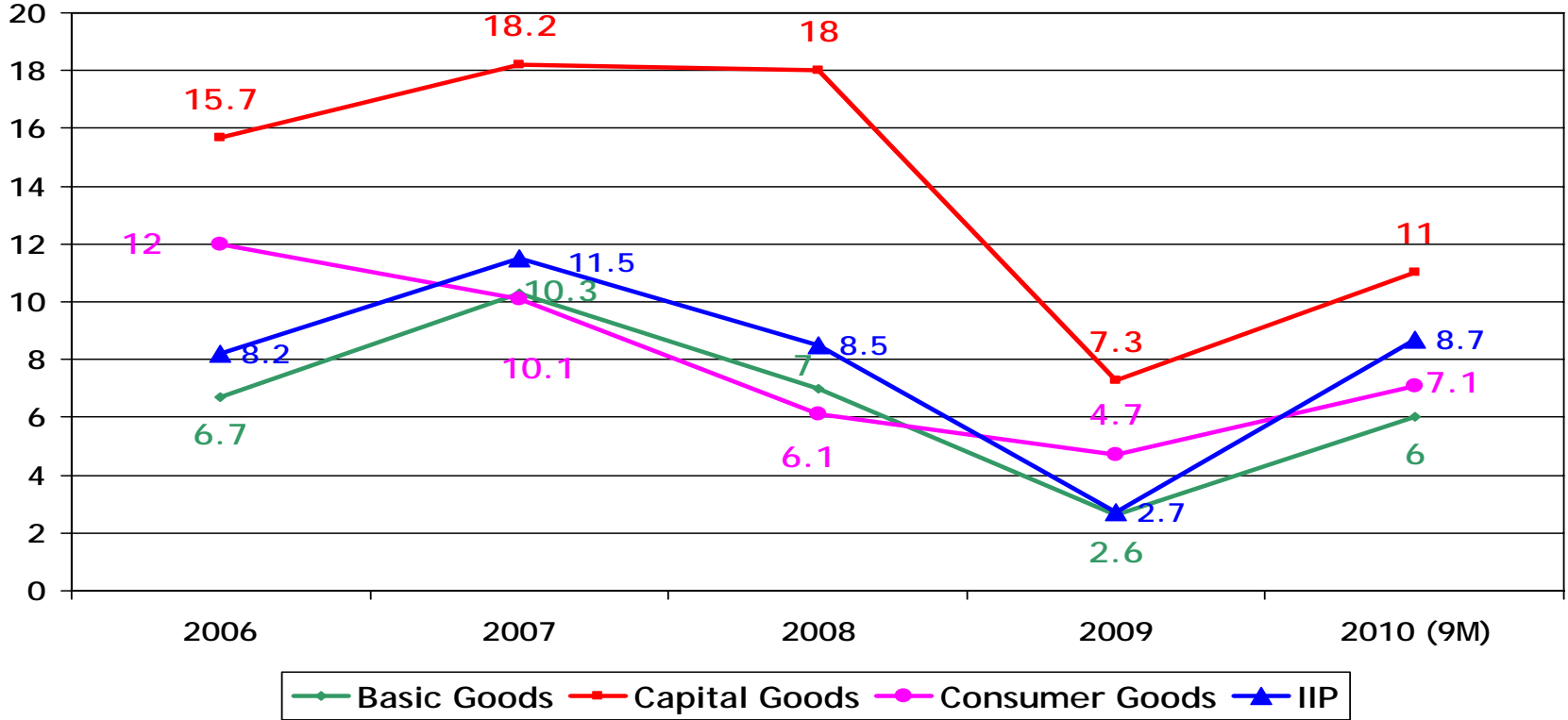


Strong recovery after global meltdown



Growth momentum to further accelerate in coming years.

Manufactured Goods : Growth (%)



MINERAL INDUSTRY IN INDIA

- India produces 90 varieties of minerals and recorded production value of Rs.34571.75 crore during 2008-09 (excluding fuel, atomic and minor minerals)
- Index of mineral production showed a positive growth of 2.34% in 2008-09
- The share of the sector in GDP is estimated at 2.6%
- Fuel mineral account for 58%, Metallic 26% and non-metallic (including minor minerals) 17% of total production (2008-09)
- 8784 mining leases granted covering 480 thousand hectares as on 31.3.2008

MINING IN INDIA - AREAS OF CONCERN

- Exploration is a high cost activity- Average annual global spending on exploration in excess of USD 900 million while India's spend was less than USD 5 million.
- Given India's geological potential, exploration investment could increase exponentially
- High exploration – more discoveries- more mining
- Need to strengthen mining infrastructure
- Develop adequate delivery channels for relief and rehabilitation for persons affected by mining
- Need for a consensual approach on sustainable approach towards mining

SALIENT FEATURES OF THE NEW MINING POLICY

- **Seamless transition from exploration to mining**
- **Security of tenure assured**
- **Unbundling of prospecting from mining- smooth transfers/sale of titles**
- **Open sky policy- First-in-Time Principle to be generally followed**

SALIENT FEATURES OF THE NEW MINING POLICY (contd)

- **Large Area Prospecting Licence (upto 5000 sq km) available on exclusive basis for non-bulk minerals**

- **Greater transparency in grant of mineral concessions (Auction)**
 - **States may give preference to value adder**
 - **Permissible area for grant of concession increased**

- **Reduce delays in grant of mineral concessions with initiatives like -**
 - **Setting up Coordination-cum-Empowered committees at Central & State levels**
 - **Mining Administrative Tribunal**
 - **Setting up online Mining Tenement registry**

OTHER BASIC FEATURES

- Strengthening Geological Survey of India for systematic Regional explorations of the country- no dilution in the role expected of private sector
- Strengthening the regulatory mechanisms in IBM and State DGMs for
 - ensuring scientific exploration and mining
 - Systematic inventorisation of mineral data
 - Facilitating availability of mining related information
- Optimal use of minerals through ore dressing and beneficiation
- Research and development, appropriate educational and training facilities for human resource development.

PRINCIPLES FOR LEGISLATION

- Decentralization
- Objectives based on principle of “price discovery” and “true value”
- Powers to be exercised within well defined guidelines on a test of “equity & fair play”
- Process based on transparency and good governance
- Investor-friendly regime
- Scientific mining and Sustainable development

DECENTRALIZATION

- Prior approval of Central Government necessary for grant of concessions only for atomic and coal minerals
- State Government empowered to sequester a mineral bearing area for five years-extendable by another five years
- Maximum area defined- minimum area defined for prospecting and mining lease- States may grant concessions in the limits defined- relaxation of the limits not allowed
- State Governments empowered to terminate lease without seeking prior approval of the Centre

TRANSPARENCY & GOOD GOVERNANCE

- Prospecting by State for auction of mining lease and recovery of prospecting cost
- Auction process to reduce gap between captive and non-captive
- No reservation for exploitation by PSUs, but preference for downstream value investment during bidding process (will lead to revenue generation from Central PSUs)

LEGISLATION- INVESTOR FRIENDLY

- Non-exclusive RP over 10000 sq kms
- Large area prospecting licence over an area of 5000 sq kms
- PL area increased from 25 sq kms to 500 sq kms (minimum area allowed 10 sq kms)
- ML area increased from 10 sq kms to 100 sq kms (minimum area allowed 0.10 sq kms)
- In case of iron ore ML area restricted to 25 sq kms

LEGISLATION- INVESTOR FRIENDLY (contd)

- Full transferability of concessions and data
- Assured progression through systematic relinquishment
- Extension of concession rather than renewal
- Time limits for disposal of applications for grant of :
 - RP - 3 months
 - LAPL / PL - 6 months
 - ML - 12 months

SCIENTIFIC MINING

- ML only if data on mineralization adequate
- Mining Plan, Mine closure Plan essential
- Cluster-mining for small deposits
- All mining activities to comply with the Sustainable Development Framework

CREATION OF MINING INFRASTRUCTURE

- Emphasis on infrastructure facilities in the mineral bearing areas in the most remote and backward areas of the country
- Link up with the existing schemes of the Government for infrastructure
- Motivate large mining companies to undertake infrastructural activities like roads and rail network.

NEED FOR SUSTAINABLE DEVELOPMENT

	Area (Sq km)	% of hard rock
Hard Rock	1.82 Million	100.0
Obvious Geological Potential (OGP)	570,000	33.1
Forest Area	365,000	20.0

- Almost 20% of all mineral occurrences are in forest areas
- 40% of the land in the three states of Orissa, Jharkhand and Chhattisgarh is Forest land
- Also, as most of India's mineral wealth is concentrated in economically backward areas, there need to focus on development of local communities

Resolution of Sustainable Issues important for growth of bulk mining in India

QUALITATIVE DIFFERENCES BETWEEN MINING AND OTHER ACTIVITIES

- “The essential difference between a mining intervention and other interventions is that ***the miner eventually leaves the land and can recreate or even improve upon the forest as it existed before commencement of operations***
- “***Mining intervention can provide genuine development opportunities for indigenous people because of direct streams of revenue for mineral production*** which is not the case with infrastructure projects”

OBJECTIVES OF SUSTAINABLE DEVELOPMENT IN MINING

- *Miners should enrich rather than deplete bio-diversity as a result of their intervention in the ecology of the region*
- *Mining can and should contribute to the economic, social and cultural well being of host populations and local communities*

CURRENT FRAMEWORK AND PRACTISES IN INDIA

- **Regulatory Framework-**

- **Forest Conservation Act, 1980 and Environment (Protection) Act, 1986**
 - **Permissions required for mining and prospecting activities**
 - **Impact Assessment prior to initiation - Environmental Impact Assessment Study**
 - **Resettlement and rehabilitation policies by states**
 - **Compensation - Compensatory Afforestation Fund - All monies received for compensatory afforestation, catchment treatment plan fund etc & NPV of forest land diverted for non-forest purposes**
 - **Long time frames for award of approvals/ clearances**
-

- **Judicial Intervention**

- ***Samata Judgement* – mining companies to spend a % of profits on programmes for development of local stakeholders**
- ***Godavarman Judgment* – relates to forest and environment related compensation**

Focus is on upfront financial commitments.....Limited focus on long term well-being of resettled communities and regeneration of environment and bio-diversity

CURRENT FRAMEWORK AND PRACTISES IN INDIA (contd)

- **Voluntary Corporate Social Responsibility**
 - **Unorganised ad hoc initiatives**
 - **Voluntary**
 - **Practically no reporting**
 - **No accountability to outside agencies**
-
- **Result**
 - **The relationship between mining companies, local communities and the government has a legacy of abuse and mistrust**
-
- **Implications for the future**
 - **Lack of transparency and history ensures the following:**
 - **Keep away genuine miners capable of sustainable development**
 - **Leaves field open for unregulated and even illegal mining**

POLICY INITIATIVES – SUSTAINABLE DEVELOPMENT

- The Government to set up a working group to prepare a SDF specially tailored to the context of India's mining environment-To include Global reporting initiatives also
- Group will also keep in view:
 - *Court judgements on NPV & compensatory afforestation*
 - *R&R packages (land for house, cash assistance, jobs)*
 - *Social infrastructure*
- The aspect of social infrastructure in the form of schools, hospitals, drinking water arrangements, etc. needs to be addressed within a formalised framework on the lines of the ICMM model.
 - *Funds mainly from mining companies: to be routed to receiving beneficiary projects with local participation and NGO support*
 - *Mining companies to spend a percentage (say 3%) of turnover on social infrastructure as Corporate Social Responsibility*
- Opinions favour issuance of non-transferable shares to land-holders

SUSTAINABLE DEVELOPMENT FRAMEWORK

- Mining activity shall not ordinarily be taken up in ecologically fragile and biologically rich area.
- No mining lease to be approved without environmental management plan approved as per standard norms.
- The framework should involve models for stakeholder's interests in the mining operations

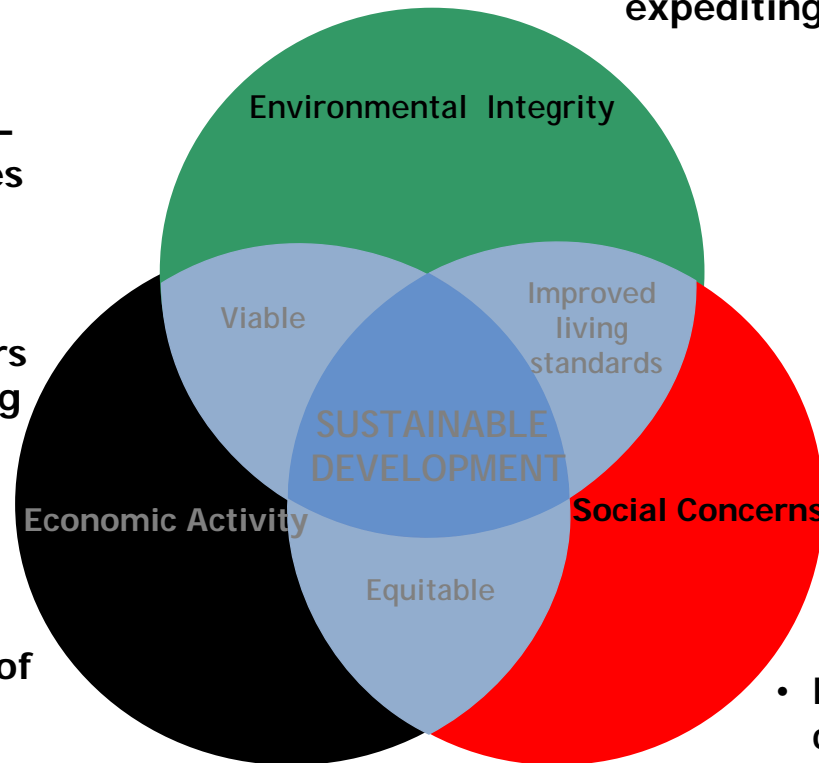
SUSTAINABLE DEVELOPMENT FRAMEWORK

- Focus on the resettlement and rehabilitation issues with the involvement of local communities.
- Social impact assessment to be made so that living standards of the affected population are above the poverty line.
- Focus on peripheral development including health, education , drinking water and other related facilities.
- Suitable mine closure plans to be in place along with the rehabilitation of workers rendered jobless due to mine closure.

SUMMING UP.....

- Government's role
 - Policy maker
 - Equitable regulator – resolution of disputes
 - Arms length relationship
- Encourage private players in exploration and mining
- Grants of mineral concessions as per objective criteria and efficient procedures
- Market forces and state of art technology

- Ensure environmental protection while expediting clearances



- New framework for local communities

Investments should be economically profitable, technically appropriate, environmentally safe and socially responsible

THANK YOU