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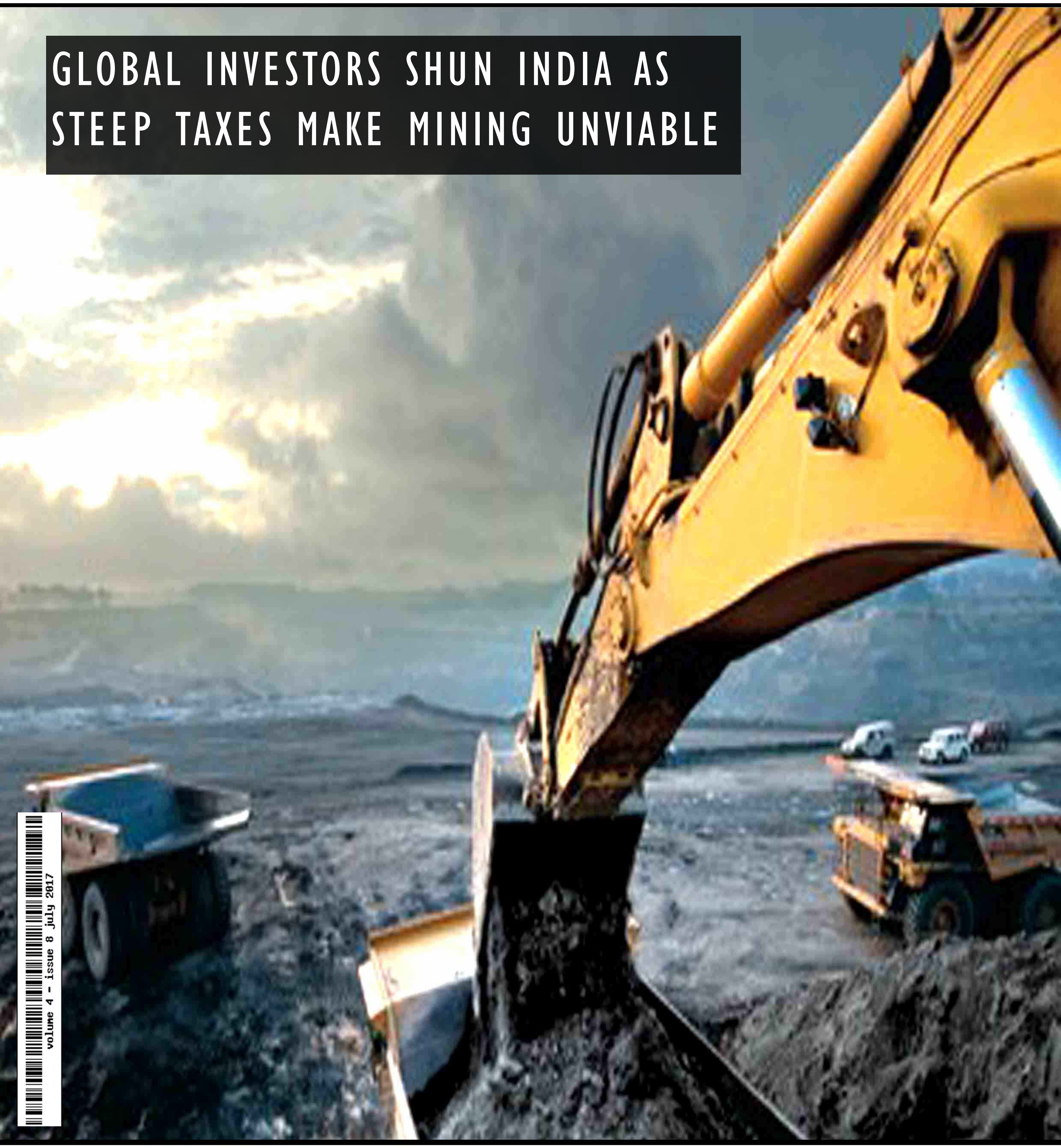
GLOBAL INVESTORS SHUN INDIA AS STEEP TAXES MAKE MINING UNVIABLE



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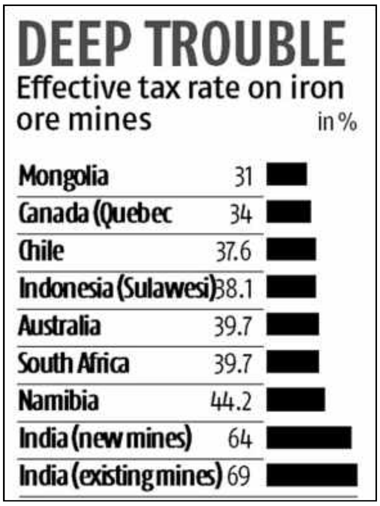
GLOBAL INVESTORS SHUN INDIA AS STEEP TAXES MAKE MINING UNVIABLE

Auctions likely to make mining costlier; delays in granting mines add to sector's woes

A higher tax burden on the mining industry in India compared to other resource-rich countries is making mining an unviable activity and driving away investments from the sector.

A huge gap has been found between the effective tax rate (ETR) on mining in India vis-a-vis other mineral-rich nations such as Australia, Canada, South Africa, the US and Mongolia. Data by the Federation of Indian Mineral Industries (Fimi) shows that the ETR on an iron ore mine in the country, after including a cocktail of levies, comes to 64 per cent in the case of new mines allocated after the amended Mines and Minerals - Development & Regulation (MMDR) Act, 2015. For the older mines, it is still higher at 69 per cent. The ETR excludes service tax at 15 per cent of the royalty, 10 per cent tax levied by the Supreme Court in Goa and Karnataka and the Forest Development Tax (FDT) levied by the Karnataka government. That apart, Odisha, the largest iron ore producer, levies the highest royalty rate on even the lowest grades of iron ore fines.



A comparison with other countries establishes India's steep taxation on the mining sector. In Canada, the ETR varies from 34 per cent to 39.5 per cent, depending on the mining jurisdiction. The ETR is 45.5 per cent in Indonesia's West Papua province, and 38 per cent in that country's Sulawesi region. Other countries with ETR lower than India include Namibia (44.2 per cent), South Africa and Australia (both 39.7 per cent) and Chile (37.6 per cent). At 31.3 per cent, Mongolia has the lowest ETR on mining.

R K Sharma, director general of Fimi, said, "The high taxation on mining in India, along with inordinate delays in the grant and development of mines, has already led to several major international players exiting the country. While resource-rich nations are competing to attract investors to explore, mine, contribute to socio-economic growth and create new employment opportunities by unlocking their own mineral potential, in India, we are making it difficult for investors with state-of-the-art technologies to invest in exploration and development of mineral resources."

According to a World Bank report, countries that compete for mineral sector investment and generally offer terms of ETR between 40 per cent and 50 per cent.

In the recent survey of mining companies by Canada-based Fraser Institute, India ranks among the 10 least attractive jurisdictions globally (97th among 104) in terms of Investment Attractiveness Index for mining and exploration.

"In designing our policies and rules, we must always remember that the Indian mining industry cannot produce minerals in isolation today as their viability is closely dependent on the trends in global commodity prices. It is imperative that policy decisions and Government interventions should closely consider the international dynamics and attractiveness of other mining jurisdictions," said Sharma.

The cost of mining operations is set to rise after the introduction of auctions. As per the bidding parameters, there is an upfront payment of mining lease equal to 0.5 per cent of the value of the estimated resource. The successful bidder also has to provide a performance security of an amount of 0.5 per cent of the value of estimated resources. Then there is royalty, DMF (District Mineral Foundation) equal to 10 per cent of the royalty, two per cent levy of the royalty the proceeds of which go to the National Mineral Exploration Trust (NMET).

"The mining industry is subject to commodity prices fluctuations. The steep tax burden has already shrunk our margins. The high taxation is based on an assumption that miners are making windfall gains which is not true. If the mining sector continues to be heavily taxed, it will not only affects us but also the downstream industries and employment opportunities," said a senior official with a standalone mining company.

WITH 97 LEASES SET TO LAPSE, CENTRE ASKS STATES FOR MINE RE-AUCTION ROADMAP

Deadline for plan submission is Sept 2017; Odisha tops with 32 mines due to expire by March 2020

Worried over the status of mineral leases lapsing in 2020, the Union mines ministry has urged states to submit action plans for their re-auction by September this year.

A total of 97 mining leases are expiring in 2020. Before being put up for auctions, the leases need to be explored up to G1 or G2 level. The Action Plan for 2020 by states would concentrate on the roadmap and modalities for auctions of these leases. Committees have been formed at the state level with representatives from the Indian Bureau of Mines (IBM), Geological Survey of India

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(GSI), Mineral Exploration Corporation Ltd (MECL) and the state directorates of geology to prepare the roadmap for auctioning them.

Among the 97 lapsing mines, Odisha tops the list with 32 mines due to expire by March 2020.

"We have taken stock of the exploration status of the leases lapsing by 2020. A six monthly reporting system is in place to track the activities on exploration carried by the leaseholders," said a state government official.

As per the provisions of the amended Mines and Minerals (Development & Regulation) Act, the validity of existing non-merchant mines have been extended till March 31, 2020 and those of captive leases till 2030. Iron ore blocks going for auctions need to be explored at least up to G2 level as per the policy of the Government of India. Most of the mining leases expiring in 2020 have not been explored to that level. There is an exploratory obligation on holder of mining lease as per laid down conditions in the approved mining plan under Mineral Concession Development Rules (MCDR), 1988.

Major mining leases lapsing in Odisha by March 2020 include the ones held by Rungta Mines, KJS Ahluwalia, Serajuddin & Co, Kaypee Enterprises, Kalinga Mining Corporation, Mid East Integrated Steel Ltd, KN Ram, RB Das, Tarini Prasad Mohanty, KC Pradhan and Lal Traders.

Steel industries, especially the ones operating without captive ores, are worried over the repercussions if the auctions are not held promptly after the leases expire.

In Odisha, 16 non-captive iron ore leases are lapsing in 2020 and this is expected to shut off iron ore production of 66 million tonne per annum (mtpa). The state is the biggest iron ore producer in the country which contributed more than 100 million tonnes (mt) out of the pan-India output of 192 mt in 2016-17.

"Though there are a number of virgin iron ore blocks in Odisha that can be offered for auctions, most of them are not explored up to the G2 level. Incomplete exploration and the lack of a roadmap yet to auction the lapsing leases will hurt iron ore supplies to the steel units", said a senior official with a steel company.

Next to Odisha is Tamil Nadu where 28 mines, most of them non-functional are lapsing in 2020. Madhya Pradesh has 12 such leases followed by 11 in Gujarat, five in Andhra Pradesh, four in Rajasthan and two in Maharashtra.

NITI AAYOG FOR MAKING CIL SUBSIDIARIES SEPARATE COS

National Energy Policy draft proposes 'open' coal market, subsidy for power consumers to shield them from effect of possible rise and power generation cost

In what could be termed as a major step towards 'market pricing' of coal, National Institution for Transforming India (NITI) Aayog has come up with a draft National Energy Policy that proposes to make all seven subsidiaries of Coal India Limited (CIL) including Western Coalfields Limited (WCL) as independent companies.

In the draft released recently, NITI Aayog stresses upon introducing 'greater competition' in 'opaque' coal economy. To achieve this goal, it has floated the idea of corporatising seven subsidiaries of CIL into independent companies and 'allow them to compete against one another in an open coal market'. Also, it has proposed 'comprehensive reforms' in allocating coal blocks 'on commercial lines' to independent companies specialised in coal mining. As per the draft, these two steps will replace the current system of administrative allocation of coal by a market with 'prices performing the function of allocation'. To boost this concept, the draft proposes that CIL should do away with 'differential pricing' of coal for different category of consumers.

NITI Aayog feels that the resulting competition will increase efficiency in the sector and also reduce coal prices substantially.

However, as bulk of the coal is consumed for thermal power generation, such competition and 'open market pricing' may do away with subsidised rate of coal and increase the cost of power generation. Obviously, the power generation companies will pass on the increase in cost to consumers through rise in sale price of electricity. However, NITI Aayog feels that competition will reduce prices. Still, considering the 'potential adverse impact' on consumers, it has suggested that the Government may think of giving subsidy to consumers through Direct Benefit Transfer (DBT) scheme.

Considering the projections of increase in coal demand to support the growth in installed thermal power generation capacity of the country by 2040, the draft National Energy Policy pitches for 'synergising' the effort of Geological Survey of India, Coal Mine Planning and Design Institute, and Indian Bureau of Mines, to undertake '100% resource mapping of coal.'

Further, NITI Aayog has stressed the need for an independent statutory Coal Regulator, to ensure that decision-making is 'at arm's length' when coal sector opens up to encourage commercial mining and move towards market pricing of coal. It feels that increased competition in the wake of opening up of coal sector will improve productivity and production of coal, and also help in reducing imports. Its logic is that if the delivered price of domestic coal is lower than that of imported coal, the buyers will not go for imports.

As per the data collected while preparing draft National Energy Policy, in 2015-16, total supply of coal was 840 million tonnes, of which 540 million tonnes was supplied by CIL's seven subsidiaries. Singareni Collieries Company Limited, owned jointly by Government of Telangana and Government of India, supplied another 60 million tonnes. Of the remaining 240 million tonnes, around 200 million tonnes was imported, and private companies contributed 40 million tonnes.

AFTER PRIVATE PLAYERS CRITICISE, COAL MINISTRY PLANS REVERSE AUCTION

The government plans to bid out 30 million tonnes of reserves in the first phase to augment coal production beyond the target of one billion in 2020 set by Coal India plus the enhanced production expected from the coal blocks allotted or auctioned for captive end use.

With private players criticising the revenue sharing model for award of coal blocks for commercial mining, the coal ministry is considering "reverse auction" where the bidder who promises to charge the least from the ultimate consumer would be the block winner.

"In this method, bidder shall quote a minimum price (lower than a pre-fixed ceiling price) at which it will sell the coal. The L1 (lowest) bidder shall be allotted the block," says a proposal.

The cap would be based on CIL's notified price for average run-of-mine (ROM) coal and the final price would be fixed as "a percentage below the CIL notified price of yearly average ROM grade". The ministry's thinking is that the reverse auction would fulfil the government's stated objective of providing cheap energy to the masses that still use the fuel for cooking. Mining for commercial exploitation comes with the permission to sell coal in the open market.

A paper floated last March by the ministry suggested "ascending forward auction" where the bid parameter was to be the percentage of the annual revenue that the bidder was willing to share with the state government owning the block. The minimum revenue for this sharing was pegged at 1.2 times the notified price.

Prospective bidders, who met the ministry officials last April, complained that since the CIL price was already on the higher side, a bidding based on sharing maximum revenue would lead to inflating the selling price of commercial coal.

Following this meeting, the ministry is also thinking of tweaking the eligibility criteria to restrict the bidding only among those who have experience of mining coal and lignite since coal exploitation required "more care, caution and expertise while mining".

It is also considering changing the pre-qualification to those that have experience of mining 65 million cubic metres (MCM) of material in any one year during last seven years or of handling at least 60 percent of this volume from a single mine in the last three years.

The discussion paper had recommended eligibility criteria of a net worth of at least Rs 1,500 crore with experience of handling a minimum of 25 MCM per annum of broken rock strata in any coal/iron ore/limestone/bauxite and manganese mine in the last three consecutive fiscal years.

The NDA government plans to resume handing over blocks to mine coal for market sale after more than four decades as the Indira Gandhi government nationalized the sector in 1973. Presently, only state-owned Coal India mines for market sale while private players acquire captive blocks only to feed their power, steel or cement plants.

It proposes to give freedom in pricing and sale of coal, remove end-use restriction and provide flexibility to manage production based on market projections. The government plans to bid out 30 million tonnes of reserves in the first phase to augment coal production beyond the target of one billion in 2020 set by Coal India plus the enhanced production expected from the coal blocks allotted or auctioned for captive end use.

IMFA GETS GREEN SIGNAL FOR MINING IN SUKINDA, MAHAGIRI

Bhubaneswar: Odisha State Pollution Control Board (OSPCB) today permitted Indian Metals and Ferro Alloys (IMFA), the leading ferroalloys producer in the country, to resume mining activities in its two chromite mines in Sukinda and Mahagiri.

OSPCB had earlier, on March 24, served a show cause notice to IMFA and asked to explain why the 'consent to operate' (CTO) granted to the mines in the areas be not withdrawn because of violation of pollution control norms.

After not getting any reply from the company, the pollution watchdog withdrew the CTO following which mining operations came to a standstill at the two sites from April 11.

Challenging the pollution board's withdrawal of CTO, IMFA moved Orissa High Court. The Court then ordered OSPCB to submit details of the steps in the matter

On the other hand, IMFA replied to the show cause notice served by OSPCB asserting that the company has not violated any pollution normsand taken all remedial measures at the two sites in compliance with the OSPCB norms.

Earlier, hundreds of workers staged a dharna in front of the plant of IMFA at Choudwar in Cuttack protesting the order of the OSPCB to ban mining at the Mahagiri and Sukinda Chromite mines.

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It is worth mentioning that IMFA is India's largest fully-integrated producer of ferroalloys. As per Mines and Minerals (Development and Regulation) Amendment Act, 2015, the mining lease at Sukinda and Mahagiri are valid until 2049 and 2055 respectively.

TO BOOST MINING IN RAJASTHAN, GOVERNMENT RELAXES LICENCE NORMS

To encourage mining in the state, government relaxed the license fee of quarry and mining leases and reduced payment of premium fee from 50 years to just one year by amending Rajasthan minor mineral concession rules (2017), As per the new amendments, holders of the Letters of Intent (LoI) or clearance certificates would have to pay yearly premium dead rent (minimum royalty per year) or license fee only once during the lease period instead of 50 years. It would be charged at 2.5 times of the license fee. According to the officials decision was taken as this charge was too hefty for the lease owners.

Providing another major relaxation, performance security for the mining leases and quary licenses, which was 100% of the license fee or dead rent in the rules of 2017, has now been halved. This is expected to benefit thousands of mines licensees.

In accordance with the intent of Center, the state government declared to save the LoIs issued on khatedari land or those issued through the draw of lottery such. Earlier there was no such provision. It will benefit more than 500 LoI holders are likely to benefit from this move.

Along with it scheduled dead rent would be charged from the newly approved mines only while old license-holders would continue paying dead rent as per the previous rates upto August 31, 2017. In the previously announced rules of 2017, dead rent was scheduled to be charged from March 1, 2017 onwards on all old and new mines leases.

For old license holders Dead Rent would be revised from September 1, 2017 onwards and the charges for it would be either double of old Dead Rent or the new scheduled rate, whichever is less. In the amended rules, royalty on bricks of non-commercial uses has now been forgiven. This would be relief for those who make bricks for their own use in the rural areas.

Also, the maximum amount of premium to be charged from the miner for transfer of ownership in the name of her or his spouse or children had been reduced from 10 lakh to 50,000 rupees. Against the previous provision of yearly advanced payment, government has now allowed a miner to now pay the dead rent in four quarterly installments.

MINING ACTIVITY LEADS TO SOCIAL, ENVIRONMENTAL CONFLICTS: NITI

Government think tank Niti Aayog has said India meets its material demand mostly from domestic resources that "negatively" impact a sizeable population as a result of destruction of forests and mineral extraction.

Niti Aayog in its Strategy Paper on Resource Efficiency said that mining activity has already led to large-scale destruction of forests, displacement of millions accompanied by loss of land and livelihood for many.

"Owing to deteriorating socio-environmental conditions, the opposition of tribals and other local communities against mining has increased during recent years," the strategy paper added.

Thus, further significant increase of mining activity will lead to even more social and environmental conflicts than today, it said.

Besides, the strategy paper said the focus on raw materials required by vehicle manufacturing, the choice of modes of transportation has a very significant impact on resource use.

"Heavy reliance on private vehicles means much higher levels of resource requirements compared to reliance on public transportation. Thus, due to the dwindling resource availability, environmental destruction, and the challenges of climate change, developing a sustainable model of public transportation for the future is a matter of great significance and urgency," it said.

Niti Aayog under the supervision of Principal Adviser Ratan Watal has provided key technical support in positioning the strategy paper for public consultation.

INDIA'S COAL MINISTRY PROPOSES EASIER AUCTION NORM FOR COMMERCIAL COAL MINING

India's CoalMinistry has decided to adopt a more liberal approach to auctioning coal blocks as part of a strategy to open coal mining to the private sector.

Following a series of consultations with prospective investors, the Coal Ministry has opted for a reverse auction model, instead of a forward auction as envisaged in a working document dealing with the allocation of coal blocks to private miners.

Through the reverse auction, a coal block will be allocated to the bidder that offers the lowest price to end-users. The government will set a benchmark price, based on the notified price of coalcharged by government-owned Coal India Limited (CIL), and bidders will have to compete quoting the lowest selling price below this benchmark, a government official has explained.

The Ministry initially proposed a forward process, which entailed a minimum revenue share with the government of 1.2 times the

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notified price of CIL. A bidder quoting the highest government revenue share would have been awarded the coal block.

The official says inputs received from stakeholders indicated that investors were against revenue sharing contracts through forward auction, claiming that sharing revenue above 1.2 times the notified price of CIL will force private miners to sharply increase their sale price and, thereby, render operations uncompetitive. At the same time, if CIL revises its notified price, it will force private miners to adjust their pricing.

It was also pointed out CIL's notified price for coal was based on operational coal mines wherein several costs had already been amortised over years, whereas, coal blocks offered to private miners would be greenfield blocks necessitating pre-project expenses like land acquisition, mandatory approvals, and infrastructure and logistics developments, and hence a private investor would need to retain higher revenues, which would be hampered under a revenue-sharing contract with the government.

In another significant change from the proposed working note, the Coal Ministry has tightened the eligibility criteria for bidders at the auction.

The Ministry has now proposed that only private companies with experience in mining coal or lignite and having mined 65-million cubic metres of volume in any one year over the last seven years will qualify to participate in the auction.

This is in contrast to earlier proposed eligibility, which only stipulated minimum material handing experience and not necessarily in coal.

As reported by Mining Weekly Online early this year, the Indian government changed the legislative policy to open up commercial mining to private investors for the first time since the coal industry was nationalised in 1973. The government proposed to auction coal blocks with estimated reserves of 30-million tons through auction in the first tranche.

Successful bidders will have full freedom for commercial mining and merchant sales of coal, moving beyond current rules which permit private miners to mine only for captive consumption.

NMDC LOWERS IRON ORE PRICES BY 8-9% AMID SUPPLY GLUT, DEMAND SLUMP

Demand going to remain subdued for next 3 months due of lack of work on construction, infrastructure

NMDC, the central government-owned mining entity Ltd, cut its iron ore prices by 8 to 9 per cent with immediate effect, due to excess supply and a slump in demand from Indian steel producers. The price of ore lumps is now down 8.2 per cent to Rs 2,225 a tonne and of ore fines by 9.15 per cent to Rs 1,985 a tonne.

With the monsoon having spread, steel demand is going to remain subdued for the next three months because of lack of work on construction and infrastructure projects. Another reason for the price cut is the oversupply of ore, following weak export viability and independent steel mills participating directly in iron ore mine auctions.

"NMDC's largest consumers are JSW Steel and Essar Steel in both Karnataka and Chhattisgarh. The iron ore price cut would benefit these mills proportionately. Since Tata Steel and Steel Authority of India have their own captive mines, with adequate capacity to support their production, they are unlikely to get any benefit," said Goutam Chakraborty, an analyst at Emkay Global Financial Services.

Adding: "Independent steel mills have evinced interest in participating in mine auctions to secure raw material supply for the long term.

So, dependence on merchant miners for iron ore supply is likely to diminish, going forward. We, therefore, believe that ore prices would remain subdued, with more cuts possible in future, provided the price falls from the current level in global markets." NMDC's price cut is the first revision since March 1, after raising these by Rs 100 a tonne across all categories. Global prices had fallen in June, with the benchmark iron ore at $52 a tonne from a high of $63 a tonne in May, though they subsequently rose.

"Indian steel markets started the year on a weak note, with muted demand (four per cent growth) due to lower offtake from the construction sector. Trade protection measures remain effective and have largely curtailed steel dumping. The recent weakness in global steel and raw material prices has led to a correction in Indian prices and will affect operating margins in the June quarter, especially due to high-cost coal inventories. The quarter aside, we expect earnings of steel makers to gain from anti-dumping duties, falling raw material prices and an improving demand-supply equation in India," said Abhishek Poddar, an analyst with Kotak Institutional Research, in a recent report.

The ore price cut is in line with a correction in steel prices. Spot domestic hot-rolled coil prices are down by seven to 10 per cent since January, though rebar prices have increased. The decline in domestic prices reflects the fall in global prices, led by lower raw material costs and the passing of steel restocking in China.

POSCO 'PULLOUT': CENTRE BLAMES STATE

The Union government has blamed the state government for scrapping the proposed steel plant deal with South Korean Posco company.

Addressing reporters here Friday, Union Steel Minister Chaudhary Birender Singh said the country's biggest FDI – the Rs 52,000 crore Posco project could not be retained in the state because of the state government failure to complete land acquisition process.

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Addressing reporters here Friday, Union Steel Minister Chaudhary Birender Singh said the country's biggest FDI – the Rs 52,000 crore Posco project could not be retained in the state because of the state government failure to complete land acquisition process.

"Land acquisition was the major problem for the project. When Modi government assumed power in 2014 it wanted to amend land acquisition laws of 2013. This could have speeded up land acquisition process. I had piloted the amendment bill. But the state government opposed that," Singh said.

The state government's opposition to the NDA government's amendment of the Land Acquisition Act, 2013 also added to Posco's woes, he said. "The NDA government had to withdraw the bill as it did not have adequate strength in Rajya Sabha at that time. Ultimately, land acquisition is a state subject. The state government should have speeded up land acquisition," the minister said.

Stating that India is targeting a 300 million tonne a year steel production capacity by 2030-31, Singh said Orissa's Kalinganagar industrial town has the potential to contribute 20 per cent of the country's target.

In order to increase domestic consumption, he said exhibitions would be organised across the country in August where public sector undertakings and other stakeholders would be asked to showcase their products.

The Minister said Steel Policy 2017 seeks to increase per capita steel consumption to 160 kg by 2030 from the existing 64 kg.

The state government has also blamed the Centre's MMDR (Amendment) Act for which the Posco project could not be implemented. As the new MMDR Act made it mandatory for all to come through the auction route to get mining linkage, Posco preferred not to proceed further, said steel and mines minister Prafulla Mallik.

Though Posco has not officially announced its withdrawal from the project, the South Korean steel major has already returned land to the state government it had taken for setting up its proposed 12 mtpa mega steel facility near Paradip.

KEEP CORPORATES AWAY FROM MINERAL-RICH REGIONS : KERALA CM

If mining rights are granted to private companies in the mineral-rich regions of the country, like Bastar in Chattisgarh, the life of Adivasis in the regions will become miserable and the environment will also suffer incalculable damage, according to Kerala Chief Minister P. Vijayan.

He was speaking as the chief guest at the inaugural of the third Adivasi Adhikar Rashtirya Manch here on Tuesday. He said that "in Bastar alone 14 companies have entered to undertake mining. In the region, the security forces are not actually fighting the Maoists but seeking to displace the Adivasis and protect the rights of corporates." He said the poor Adivasis were caught in the crossfire between the Maoists and the security forces in the region.

Remarking that Adivasis were the most exploited and most vulnerable section in the country, he said the Forest Rights Act (FRA) and the provisions under the Fifth and Sixth Schedule of the Constitution were not being implemented in their true spirit and "the corporates are encroaching into their (Adivasi) areas with the help of the State Government in the name of mining and quarrying."

In a frontal assault on the Congress, he said, "The Congress has failed in its role as the major opposition party.

It is reluctant to take on the BJP and therefore we (the other parties) have to take the responsibility to intensify the struggle."

HZL GETS GREEN NOD FOR RS 1,200 CR ZAWAR MINES EXPANSION PROJ

Vedanta Group firm Hindustan Zinc Ltd (HZL) has got environment clearance for its Rs 1,200 crore Zawar Mines expansion project in Rajasthan.

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The world's second largest zinc producer wants to expand the production capacity of Lead-Zinc and ore beneficiation at its Zawar Group of underground mines located in Sarada district. "The Environment Ministry has examined the HZL's proposal. Based on the recommendations of the expert advisory committee, the ministry has given the environment clearance (EC) for expansion of production capacity of its Zawar group of underground mines," a senior government official said.

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The cost of the expansion project is estimated to be at Rs 1,200 crore. The EC to the project is subject to certain conditions, the official said.

The green nod to HZL for the project was given on January 5, the official added.

As per the proposal, the production capacity of both Lead-Zinc and Ore beneficiation will be increased from 1.5 million tonnes per annum (MTPA) to 4 MTPA.

The Zawar group of mines in Rajasthan, the oldest Lead-Zinc mines in the country, is spread over an area of 3,620 hectare and had reserves of 13.71 million tonnes and resource of 73.67 million tonnes as on April 1, 2015.

Although the present production capacities of zinc are sufficient to meet the domestic requirement, the company wants to exploit Lead-Zinc deposits to meet long-term demand.

Udaipur-based HZL has its operations in exploration, mining, ore processing, smelting and refining of zinc, lead and silver. It is also a major producer of sulphuric acid, as a by-product of lead-zinc metal processing. HZL also has interest in wind and thermal power generation

CAN MINING BE MADE SUSTAINABLE?

India is endowed with many minerals. The minerals are basic and strategic materials for industrial and economic development. But in the absence of inadequate checks and balances, mining can have adverse effects on the environment. This is why sustainable mining is crucial for inclusive growth.

Although the Indian mineral industry comprises of large and small mines that function under public, private sector and informal sectors (covering most minor minerals), the public sector continues to play a dominant role in production of various minerals. These are coal, lignite, petroleum, iron and steel, bauxite and aluminium. As per the Constitution, the development and regulation of mines and minerals is controlled by the Union government. The Mine and Minerals (Development and Regulation) Act, 1957, was amended in 2015 to add the provision for a simple and transparent mechanism for granting mining lease or prospecting license through competitive bidding. It also provides assured tenure and easy transferability of mineral concession granted through auction, and a strict penalty to deter illegal mining.

Sustainability in mining sector

The most important environmental requirement for a mining project is a comprehensive environment assessment programme, which was started in 1994. But weak enforcement and inadequate coordination among government agencies make the laws and regulatory instruments ineffective. Although mining enterprises tend to meet the legal requirement of preparing mine closure plans, the implementation falls short. Local communities are not consulted in the preparation and implementation of mine closure plans.

Most states have a large number of small mines, including quarries to extract minor minerals. These present difficult challenges for sustainable development as their financial, technical and managerial limitations restrict their ability to take effective corrective measures against the negative impacts of mining.

Major mining companies have comprehensive environment protection measures, they sensitise their personnel on sustainability issues and progressively try to improve their environmental performance. There are other large, medium and even small enterprises, which have to conform to the prescribed legal provisions. In case of illegal mining, these niceties are not observed. It is reported that the illegal sand mining is largely responsible for the environmental degradation especially the river beds of Ganga and Yamuna rivers. Lack of checks and political interference has turned the situation grim. It is not just illegal mining but also legal mines which flout norms.

Two main pre-conditions for achieving sustainability are good governance and self-regulating mining enterprises which are economically viable, financially profitable and technically efficient. Sustainability principles can be applied in all the stages of mine life cycle– exploration, mine planning, construction, mineral extraction, mine closure and post-closure reclamation and rehabilitation. These principles include intra and inter-generational equity, the precautionary principle, scientific mining, management of environmental and socio-economic impacts, creation of substitute capital in the form of social and physical infrastructure and stakeholder engagement.

Although mining has brought about economic development in the mineral-rich states of Odisha, Goa, Karnataka and Jharkhand, it has also caused significant environmental damages and negatively impacted communities in project areas, accordingto a Planning Commission report. To that extent the mining and environmental laws and regulations have not been very effective.

In some cases, mining operations have been carried out without regard for the 'carrying capacity' of the environment and other infrastructural limitations. This has put avoidable pressure on the environment and caused inconveniences to the people living in the mining areas. Illegal mining in many cases has similar effect while additionally causing loss of public revenues.

Sustainability has assumed considerable importance in major mining nations such as Canada, Australia, South Africa and Papua New Guinea. Their view of sustainable development in mining includes not just the environment, but other important dimensions such as local stakeholder engagement, socio-economic development in mining project areas and transparency in communication with stakeholders. In India, major mining companies have set up foundations to take up socio-economic development projects in their mining areas. In developed mining nations, regulatory mining and environmental laws meant to lessen the impact of mining are strictly implemented. These include provisions for mine closure and associated reclamation and rehabilitation of mined land.

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The way ahead

- Both the government and industry need to take a comprehensive view of sustainable development.
- A socio-economic assessment report for a mining project should be made a part of the permission process for the grant and administration of mineral concession to a mining enterprise.
- Local socio-economic development works should preferably be executed by mining enterprises rather than government and semi-government agencies to avoid the problems of inadequate capacity, political manipulation and corruption.
- In order to alleviate the limitations of small mines in carrying out sustainable development activities, a consortium of small mining enterprises in a region should be promoted.
- Technical advisory services should be made available to them in the relevant areas.
- Mineral development in a region should be carried out within its available social and environmental "carrying capacity" and infrastructural facilities at a given point of time.

JSPL'S CHHATTISGARH IRON ORE MINE IN TROUBLE, AS LOCALS WANT LEASE SCRAPPED

JSPL had started prospecting work on the 1,100 hectare area without consent from gram sabha

Jindal Steel and Power Limited (JSPL), the country's leading private sector steel maker, is facing serious challenges in developing the iron ore mine it has been allotted in Chhattisgarh.

The company had been allotted the mine in Bailadila hills of the restive Dantewada district. JSPL has started prospecting work on the 1,100 hectare area. While the work is in progress, villagers had come out in protest against the project.

"The pocket is under the 5th schedule area and without the consent of gram sabha, the project cannot be taken up," Suresh Karma, district president of Koya Samaj, said. The six villages have passed a resolution opposing the mine to be operated by JSPL.

The copy of the resolution passed by the village gram sabha along with petition has been sent to the President of India, Governor, Chief Justice of India, Chief Justice of High Court and Chairman of National Scheduled Caste/Tribe commission. The villagers had urged to cancel the lease granted to the JSPL.

The villagers charged that the company had started drilling work secretly as they vow not to give an inch of land for the project. "How can you trust a private company when even public sector undertaking had failed to provide employment to the local people," the villagers said pointing at National Mineral Development Corporation (NMDC) operating in the same area.

The mine is crucial for the JSPL that has recently started operation in the Angul steel plant of Odisha. The company had planned to develop the mine in three years and feed its steel plants in Chhattisgarh and Odisha. The Bailadila hills have been endowed with world class high grade iron ore deposits.

JSPL spokesperson said in line with its corporate social responsibility (CSR) ethos to work towards the socio-economic development of the neighboring community, the company will engage with the constituents to appraise them of the potential opportunities arising from the project – both in terms of employment generation and societal benefits - as and when the company decides to go ahead with the project.

The raw material sourcing of the 6 MTPA Integrated Steel Plant at Angul, Odisha and for Raigarh Plant have already been planned. Their operations are not linked with the development of this iron ore mine at this point of time, the spokesperson added.

The other challenge that the company was likely to face was from the Left Wing Extremists (LWEs) as the area had been Naxal infested. The fear of Naxalites backing the villagers in the protest cannot be ruled out.