

Reforms in Mining

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Legacy issues related to the MMDR Act have created hurdles in boosting mineral production in India and the auction of mineral blocks. Various stakeholders comprising states, ministries, industry associations, public consultation and NITI Aayog, feel that only major structural reforms can help India become 'Aatmanirbhar' in the mineral sector.

In news: The Union cabinet approved reforms in MMDR Act.

Placing it in syllabus: Economy

Static dimensions

1. Captive vs non captive mines
2. Auction of mines
3. National mineral index
4. National mineral exploration trust

Current dimensions

1. Reforms in MMDR act

Content:

Reforms in MMDR Act:

- Under the **Aatmanirbhar Bharat** scheme, the Union government had in May 2020 announced **enhancing private investments in the mineral sector** and bringing in other reforms.
- The mines ministry had proposed **legislative amendments to the MMDR Act, 1957** for undertaking **structural reforms** with the objective of accelerating growth and employment generation.
- The **Mines and Minerals (Development and Regulation) Act, 1957** regulates the overall mining sector in India.
- This act regulates the mining sector in India and

specifies the requirement for obtaining and granting mining leases for mining operations.

The **Union Cabinet** chaired by Prime Minister Narendra Modi **approved the following structural reforms** in the mining sector **through legislative amendments** to the MMDR Act, 1957:

- **Amend Section 11A of the act** and open up coal mining to all firms with offices registered in India and also **does away with the captive end-use-criteria**
- **Captive mines will be allowed to sell up to 50% of the minerals excavated** during the current year (presently it is only 25%)
- The **removal of section 10A (2b) and 10A (2c)** under the MMDR act which hindered the prospect of a mineral auction of over 500 mines. The MMDR Act clause 10A (2c) allowed pre-auction mines to get **environment clearance (EC) and forest clearance (FC)** by 2017 and **clause 10A (2b) does not have a sunset clause** on pre-auction mines for starting operations
- The **removal of the distinction between captive and non-captive mines**
- **Removal of first right of refusal for captive miners**
- An incentive for early mineral production for miners by way of **50 percent rebate on revenue share for the quantity produced earlier than the schedule**
- **Provision of penalty** for not maintaining prescribed production for 3 consecutive quarters, which may lead to termination of mining lease
- **Streamlining provision for additional royalty on an extension of mining leases** under section 8A of the MMDR act and rules.
- the National Mineral Exploration Trust (**NMET**) **will be made** an **autonomous body**.

These amendments would be introduced in the next session of the Parliament.

Captive vs Non-Captive Mines:

- **Captive mining** or captive end use criteria is basically a form of mining wherein the company which mines the mineral uses it, without being allowed to sell the product to a third party.
- The **mining company has restrictions placed upon it** relating to what it can do with the mined mineral.
- End-uses currently allowed under the The Coal Mines (Nationalisation) Act, 1973 (CMN Act) include iron and steel production, generation of power, cement production and coal washing.
- In 2014 the Supreme Court had cancelled the allocation of 204 captive coal blocks and till date only 89 have been auctioned. Just 29 are currently operational.
- **Non-captive mining** does not have end use restrictions. The mining company will be able to sell products in the market.

Problems associated with captive mining are:

1. **Sub-optimal mining:** If the quality of the minerals extracted are not suitable for the captive plant, it remains unused. This creates wastage of limited resources.
2. **Creates environmental hazard:** As un-usable extracted minerals can't be sold, heavy stock of these minerals lie unused at mine head. These leach into groundwater and cause environmental pollution

Auction of mines:

- As per MMDR Act, **state governments grant mining leases and prospecting license-cum-mining leases** for both **notified and other minerals.**
- Prospecting license-cum-mining leases for **notified minerals are granted with the approval of the central government.**

- All **leases** are granted **through auction by competitive bidding, including e-auction**.
- The central government prescribes the terms and conditions, and procedure for auction, including parameters for the selection of bidders.
- For mining leases, the central government reserves particular mines for a specific end use and allows only eligible end users to participate in the auction, if found necessary.

Coal Auction Targets:

- The union government is planning to open up the coal sector with a large offering of **more than 200 blocks for commercial coal mining in the next five years**.
- This has the **potential to produce at least 400 million tonnes** of coal at peak capacity.
- With this, the government hopes to **stop coal imports by power plants by 2024**.
- The first phase of commercial coal auctions within 2020-21 financial year are expected to go smoothly after the amendment.
- Around **334 non-captive mines are expiring on 31 March 2021**, out of which, 46 are working mines and mostly in Odisha
- The government has proposed to start the auction process for commercial coal mining, starting with consultations with stakeholders and releasing bid rules.

National Mineral Index:

- The rollout of the **National Coal Index (NCI)** has brought about a shift by bringing in much-needed transparency in coal mining
- The setting up of the **coal index had fuelled the demand for a national mineral index**
- **Indian non-coal mining market for the bulk minerals is a**

significantly captive market and therefore historical data is available only in terms of cost or transfer price in the MCDR (Mineral Conservation and Development Rule filings

- These numbers were used by the Indian Bureau of Mines (IBM) to publish prices for some minerals and **several minerals were not covered**
- In the case of co-occurring and trace minerals, it did **cause revenue-loss.**
- As India embarks on expanding mining activity, it **needs reference indices.**
- The **new amendments will introduce an index-based mechanism by developing a National Mineral Index (NMI)** for various statutory payments.

National Mineral Exploration Trust (NMET):

- It is a **Trust set up as a non-profit body** by the Central Government for the **purposes of regional and detailed exploration of minerals** using the funds accrued to it and in such manner as prescribed by the Central Government.
- NMET was established by the Government of India under **Section 9C (1) of the MMDR Act, 1957.**
- Its **objective** is to **expedite mineral exploration** in the country.
- The office of the Trust is situated in the Ministry of Mines, New Delhi.
- The Trust supports regional and detailed mineral exploration in the country and other activities approved by the Governing Body, to achieve its objects.

Structure of NMET:

The NMET has a **two-tier** structure:

The Governing Body:

- It is the apex body.

- Chaired by the **Minister of Mines**.
- It holds the overall control of the Trust.

The Executive Committee:

- Chaired by **Secretary, Ministry of Mines**,
- It administers and manages NMET activities.

Functions of NMET:

- **funding special studies and projects** designed to identify, explore, extract, beneficiate and refine deep-seated or concealed mineral deposits; Priority is given to strategic and critical minerals.
- undertaking **studies for mineral development, sustainable mining, adoption of advanced scientific and technological practices** and mineral extraction metallurgy
- **facilitating completion of brown-field regional exploration projects** in obvious geological potential areas (G3) including conducting high-risk exploration for deep-seated mineral deposits through modern technologies
- **promoting completion of detailed exploration** (G2 or G1) across India in the areas where G3 stage exploration has been completed
- **deciding the priorities for exploration** after consulting Central Geological Programming Board
- **facilitating geophysical, ground and aerial survey and geochemical survey** of obvious geological potential areas and rest of India
- facilitating a **national core repository for encouraging research** in earth sciences and for evaluation of the mineral prospects
- **organizing capacity building programmes** to raise technical capability of personnel engaged in or to be engaged in exploration

Mould your thought:

1. What are the statutory challenges associated with mining in India? What steps has the government taken to resolve them?

Approach to the answer:

- Introduction
- List the problems with MMDR act
- Mention the changes proposed in the amendment to MMDR Act
- Conclusion