



### **Major Reforms for Mining Sector in India**

The Indian Parliament has passed the Mines and Minerals (Development and Regulation) Amendment Bill, 2023 (Bill) which amends the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act, 1957), the principal act regulating the mining sector.

The amendment is anticipated to provide a favourable legal environment for attracting FDI and junior mining companies in the country.

An important reform in this regard is the introduction of exploration licences for deep-seated and critical minerals. Deep-seated minerals, such as gold, silver, copper, zinc, lead, nickel, cobalt, platinum group of minerals and diamonds are difficult and expensive to explore. The proposed exploration licence would enable, foster, and incentivize private sector participation in all spheres of mineral exploration for critical and deep-seated minerals.

The exploration licence granted through auction shall allow the licensee to commence reconnaissance and mining operations for critical and deep-seated minerals mentioned in the newly proposed Seventh Schedule to the Act.

The blocks explored by the Exploration Licence holder can be directly auctioned for mining lease, which will bring enhanced revenue to the State Governments. The exploration agency would also benefit by getting a share in the auction premium payable by the lease holder.

Another key reform outlined in the Bill is removal of certain minerals from the list of atomic minerals, namely lithium, beryllium, titanium, niobium, tantalum and zirconium, which are of use in sectors such as space, electronics, technology, communications, energy, electric batteries and are critical in the net-zero emission commitment of India. Demand for minerals like lithium used in lithium-ion batteries is likely to increase manifold as the focus shifts towards clean energy.

Presently, the country is dependent on imports for most of these essential minerals as there is not much exploration or mining due to existing legal restrictions. These minerals have high economic importance and substantial supply risk due to geo-political uncertainties.

Due to their inclusion in the list of atomic minerals, their mining and exploration was reserved for government entities and was only being done through PSUs. Hence, exploration and mining of these minerals was very limited.

Upon removal from the list, exploration of these minerals will be opened up for the private sector as well. As a result, mining of these minerals is expected to rise considerably in the country.

Another major amendment is to empower the Central Government to exclusively auction mining lease and composite licence for certain critical minerals namely molybdenum, rhenium, tungsten, cadmium, indium, gallium, graphite, vanadium, tellurium, selenium, nickel, cobalt, tin, platinum group of elements, minerals of “rare earth” group (not containing Uranium and Thorium); fertilizer minerals such as potash, glauconite and phosphate (without uranium) and minerals removed from the list of atomic minerals.



### Conclusion

The MMDR Act, 1957 was comprehensively amended in 2015 to bring numerous reforms in the mineral sector. It was further amended in 2016 and 2020 to address specific emergent issues and was last amended in 2021 to bring additional reforms in the sector, such as, removing the distinction between captive and merchant mines, transfer of statutory clearances to ensure continuity in mining operations and removing the restrictions on transfer of mineral concessions etc.

Yet, the mining sector required further reforms particularly for strengthening exploration and mining of critical minerals that are essential for economic development and national security in the country.

Even though 100% foreign direct investment (FDI) is allowed in mining and exploration sector through automatic route, currently no substantial FDI has been received in these sectors.

Deep-seated minerals are high value minerals. It is challenging and costly to explore and mine these as compared to surficial/ bulk minerals. These are very critical for sectors such as new age electronics, renewable energy as well as traditional sectors like infrastructure, defence, etc.

In India, resource identification for these minerals is extremely limited as compared to surficial/ bulk minerals. Share of deep-seated minerals in the total mineral production is inadequate, due to which the country is predominantly dependent on imports. Consequently, there was a requirement to further enhance and accelerate exploration and mining of deep-seated minerals.

Participation of private agencies would bring sophisticated technology, finance, and capability in exploration for deep-seated and critical minerals. The exploration licence amendment is projected to create a mechanism where exploration agencies from across the world will bring in their technical know-how in geological data acquisition, processing and interpreting value chain and leveraging the risk-taking ability for discovery of mineral deposits.

The Bill can be accessed at:

[https://prsindia.org/files/bills\\_acts/bills\\_parliament/2023/mines%20and%20minerals%20bill%20as%20passed%20by%20LS.pdf](https://prsindia.org/files/bills_acts/bills_parliament/2023/mines%20and%20minerals%20bill%20as%20passed%20by%20LS.pdf)