

MINING INDUSTRY

Don't Undermine the Sector



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Recent policy announcements in the mining sector, such as doing away with end-use restrictions in coal mining and extending the validity of clearances for mining leases expiring in 2020, could result in a paradigm shift. Earlier this week, the Union Cabinet approved the promulgation of the Mineral Laws (Amendment) Ordinance 2020. This permits commercial coal mining for local and global firms without imposing any end-use restrictions.

Previously, 100% FDI was permitted, under the automatic approval route, for coal and lignite mining, only for captive consumption by power projects, iron and steel, and cement units. This move is expected to result in forex savings, employment generation and enhanced investment.

But more needs to be done. CII's December 2019 report, 'Towards a Globally Competitive Minerals and Mining Industry', identifies 12 areas that must be addressed to boost the Indian mining industry.

Boosting exploration, particularly for non-bulk minerals, by ensuring attractive incentives to explorers is vital. Over the last few years, exploration by private players has come to a near standstill. Interventions such as introducing a seamless transition from exploration to mining licence, permitting sale of licence at any stage, and allowing private companies to proactively approach GoI for exploration areas will help overturn this trend.

Streamlining the auction process will also lead to greater efficiency and more effective outcomes. Shifting from a two-stage ascending forward online electronic auction to a single-stage sealed bid will help dampen aggressive bidding. Further, the process must not be annul-

led, or multiple rounds introduced, if the number of bidders is less than three.

Easing, expediting and simplifying the process of obtaining environmental and forest clearances is another key lever of driving competitiveness. Mining companies in India are subject to much higher financial levies than other mining geographies, as a result of high royalty rates, multiplicity of levies and double taxation. Royalty rates should be reduced in line with international benchmarks. Accordingly, implementation of the Royalties Study Group must be fast-tracked.

Finally, GoI must ensure that all policy interventions take cognisance of emerging global trends in mining, such as smart mines, deep sea mining and the changing composition of the mining workforce.

During 2018-19, around 125 million tonnes of thermal coal was imported by non-coastal consumers that could have been economically substituted by domestically produced coal, leading to a forex saving of about \$8 billion. Growth in the sector will also create significant employment opportunities, particularly in remote areas.

Opening up the sector is also likely to spur interest in coal mining and, therefore, boost investment from Indian and foreign majors. To attract greater par-

ticipation, GoI has done away with the prior mining experience requirement.

Another welcome step is the amendment to the Mines and Minerals (Development and Regulation) Act (MMDRA), which extends the validity period of the environment and forest clearances for two years for mining leases expiring in 2020. The seamless transfer of clearances will help minimise any disruption in operations.

Following the introduction of MMDRA in 2015, aimed at ensuring transparency in the allotment of mining blocks, the National Mineral Policy (NMP) was approved in 2019. NMP 2019 set a forward-looking agenda for the sector, emphasising themes such as sustainable mining, boosting exploration, encouraging use of state-of-the-art technology and skill development. During September 2019, FDI norms were eased to permit 100% FDI, under the automatic approval route, for sale of coal, and coal mining activities including associated processing infrastructure.

The mining industry serves as the base for the power sector, with around 72% of India's current power being generated through coal. Further, minerals are the basic building blocks of manufactured products and many agri-inputs. Thus, from a national interest standpoint, the industry is key to ensuring the country's energy and raw material security.

Despite its importance, India's mining industry has remained fledgling, as evident from its declining contribution to GDP, foreign investment and employment. The industry's share in India's GDP (in real terms) was a low 2.6% in 2018-19, down from 3.0% in 2011-12. FDI inflow in the sector declined from 2.1% of India's total FDI inflow in 2014-15 to 0.5% in 2018-19.

The mining sector in India is highly underdeveloped relative to its enormous potential. It has the domestic capacity to absorb significantly higher mineral production. GoI must expeditiously implement a reform agenda in the sector to realise the industry's full potential.



Not just a drill

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The writer is director general, Confederation of Indian Industry (CII)