



Parliament Passes Mines and Minerals (Development & Regulation) Amendment Bill, 2023

With focus on Critical Minerals, the amendment introduces
Major Reforms in Mining Sector

Six Minerals omitted from list of Twelve Atomic Minerals

Central Government to exclusively auction Mineral
Concessions for Critical Minerals; State Governments to get
revenue

Introduces Exploration Licence for deep-seated and Critical
Minerals

Amendment expected to provide conducive legal
environment for attracting FDI and junior mining companies

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The Rajya Sabha has passed the Mines and Minerals (Development and Regulation) Amendment Bill, 2023 for making amendments to the Mines and Minerals (Development and Regulation) Act, 1957 (hereinafter referred to as 'the Act') today. The Bill was passed by the Lok Sabha on 28.07.2023 and with the passage of the Bill in Rajya Sabha, the Bill will be sent to the President of India for assent.

The MMDR Act, 1957 was comprehensively amended in 2015 to bring several reforms in the mineral sector, notably, mandating method of auction for grant of mineral concessions to bring transparency in allocation of mineral resources, for establishing District Mineral Foundation (DMF) for the welfare of the people and areas affected by mining and for establishing National Mineral Exploration Trust (NMET) to give thrust to exploration and for ensuring stringent penalty for illegal mining. The Act was further amended in 2016 and 2020 to address specific emergent issues and was last amended in 2021 to bring further reforms in the sector, such as, removing the distinction between

captive and merchant mines, transfer of statutory clearances to ensure continuity in mining operations even with change of lessee, removing the restrictions on transfer of mineral concessions, closing of rights of non-auctioned concession holders which have not resulted in mining leases to ensure that concessions to private sector are only granted through auction etc.

However, the mineral sector required certain more reforms particularly for increasing exploration and mining of critical minerals that are essential for economic development and national security in the country. The lack of availability of the critical minerals or concentration of their extraction or processing in a few geographical locations may lead to supply chain vulnerabilities and even disruption of supplies. The future global economy will be underpinned by technologies that depend on minerals such as lithium, graphite, cobalt, titanium, and rare earth elements. Critical minerals have gained significance in view of India's commitment towards energy transition and achieving net-zero emission by 2070.

Accordingly, it was proposed to further amend the said Act by enacting the Mines and Minerals (Development and Regulation) Amendment Bill, 2023. With the world-wide focus on critical minerals the amendment introduces major reforms in the mining sector which includes:

- a. Omission of 6 minerals from the list of 12 atomic minerals specified in Part-B of the First Schedule of the Act, namely, Lithium bearing minerals, Titanium bearing minerals and ores, Beryl and other beryllium bearing minerals, Niobium and Tantalum bearing minerals and Zirconium-bearing minerals.
- b. Empowering Central Government to exclusively auction mineral concessions for critical minerals specified in Part D of the First Schedule of the Act. Revenue from these auctions will accrue to concerned State Government.
- c. Introducing exploration licence for deep-seated and critical minerals

Details of the amendments are as below:

(a) Omission of 6 minerals from the list of 12 atomic minerals specified in Part-B of the First Schedule of the Act

Mining and exploration of atomic minerals specified in Part-B of the First Schedule of the Act is only being done through PSUs. Hence, exploration and mining of these minerals is very limited. Many of the minerals listed as atomic minerals have numerous non-atomic applications. In most cases, the non-atomic uses of these minerals far outweigh their atomic use. Many such minerals are not fissile or radioactive in nature. Some of these mineral commodities are also found associated with many other minerals. There is a need to vigorously increase exploration and production of the minerals proposed to be removed from the list of atomic minerals to meet the growing demands of the country wherein involvement of private sector can be a force multiplier. Expansion in exploration and mining activities of these minerals will consequently increase their availability to the atomic sector also.

The Bill provides to remove certain minerals from the list of atomic minerals, *viz.* minerals of lithium, beryllium, titanium, niobium, tantalum and zirconium are technology and energy critical having use in space industry, electronics, technology and communications, energy sector, electric batteries and are critical in net-zero emission commitment of India. Demand of minerals like lithium used in lithium-ion batteries is likely to increase manifold as the focus shift towards clean energy.

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

Upon removal of these minerals from the list of atomic minerals, exploration and mining of these minerals will be open to private sector. As a result, exploration and mining of these minerals is expected to increase significantly in the country.

(b) Empowering Central Government to exclusively auction mineral concessions for certain critical minerals

Another major amendment passed by the Parliament is to empower the Central Government to exclusively auction mining lease and composite licence for certain critical minerals viz. 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 being removed from the list of atomic minerals.

Only 19 blocks of minerals have been auctioned so far by the State Government viz. graphite, nickel and phosphate out of 107 blocks handed over to the various State Governments. As these critical minerals are vital for the growth of our economy, authorizing the Central Government to auction concession for these critical minerals would increase the pace of auction and early production of the minerals which have become indispensable for new-technologies such as space, electronics, information technology, energy transition, food security, etc.

Even though auction would be conducted by the Central Government, the mining lease or composite licence for these minerals to the successful bidders will be granted by the State Government only and the auction premium and other statutory payments shall continue to be received by the State Government.

(c) Introducing exploration licence for deep-seated and critical minerals.

Even though 100% foreign direct investment (FDI) is allowed in mining and exploration sector through automatic route, currently there is no significant FDI received in these sectors. World over junior mining companies having expertise are engaged in exploration of minerals, especially of deep seated and critical minerals such as gold, platinum group of minerals, rare earth elements, etc. Hence there is an urgent need to attract FDI in these sectors.

The Bill introduces provisions for grant of a new mineral concession, namely, Exploration Licence (EL), in the Act. The exploration licence granted through auction shall permit the licensee to undertake reconnaissance and prospecting operations for critical and deep-seated minerals mentioned in the newly proposed Seventh Schedule to the Act. These minerals are copper, gold, silver, diamond, lithium, cobalt, molybdenum, lead, zinc, cadmium, elements of the rare earth group, graphite, vanadium, nickel, tin, tellurium, selenium, indium, rock phosphate, apatite, potash, rhenium, tungsten, platinum group of elements and other minerals proposed to be removed from the list of atomic minerals. Preferred bidder for exploration licence shall be selected through reverse bidding for share in auction premium payable by the mining lease (ML) holder. Bidder quoting lowest percentage bid shall be preferred bidder for exploration licence. This amendment is expected to provide conducive legal environment for attracting FDI and junior mining companies in the country.



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



Deep-seated minerals such as gold, silver, copper, zinc, lead, nickel, cobalt, platinum group of minerals, diamonds, etc. are high value minerals. It is difficult and expensive to explore and mine these minerals as compared to surfacial/ bulk minerals. These minerals are extremely critical for new e electronics, transition to clean energy (solar, wind, electric vehicles) as well as in traditional sectors like infrastructure, defence, etc.



Resource identification for these minerals in the country is very limited as compared to surfacial/ bulk minerals. Share of deep-seated minerals in total mineral production is meager and the country is mostly dependent on imports of these minerals. Therefore, there is need to further augment expediting exploration and mining of deep-seated minerals. The proposed exploration licence would facilitate, encourage and incentivize private sector participation in all spheres of mineral exploration for critical and deep seated minerals.

Involvement of private agencies in exploration would bring advanced technology, finance and expertise in exploration for deep-seated and critical minerals. The proposed exploration licence regime is foreseen to create an enabling mechanism where in the exploration agencies will bring in expertise from across the world in geological data acquisition, processing and interpretation value chain and leverage the risk-taking ability for discovery of mineral deposits through adoption of expertise and technologies.

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