



Karnataka Iron Ore Mining

For Prelims: Iron Ore Industry, Iron Ores in Karnataka, E-Auction

For Mains: Significance of Iron Industry, Issues with Mining Industry

Why in News?

Recently, the [Supreme Court](#) raised the “**ceiling limit**” of iron ore mining for Ballari, Chitradurga and Tumakuru districts in **Karnataka**, saying **conservation of the ecology and environment must go hand in hand with the spirit of economic development**.

- Ten years after the Supreme Court clamped down on **production and sale of iron ore in Karnataka**, the Court has relaxed its own orders.

What do we need to know about the Karnataka Iron Ore Mining Ban?

▪ Background:

- In 2010, the Supreme Court shut down the **Obulapuram Mining Company (OMC) in Ballari**, after a [Central Bureau of Investigation \(CBI\)](#) probe was initiated in 2009 for [illegal mining](#).
 - **The illegal mining resulted in** plunder of public wealth, massive loss to exchequer, encroached forest land, ravaged environment and large scale health issue among local population.
- The two [Lokayukta](#) Reports of 2008 and 2011 exposed over 700 government officials, including three chief ministers in the illegal mining scandal.

▪ Supreme Court's Orders:

- After the Supreme Court-appointed **Central Empowered Committee (CEC)** report brought attention to rampant violations in mining, the SC passed an order in **2011 to stop mining operations in Ballari**.
- Additionally, SC **banned export of iron ore pellets from Karnataka** with an aim to prevent **environmental degradation** and to preserve **for future generations** as part of the concept of intergenerational equity.
 - SC also fixed the **maximum permissible annual production limit** at 35 MMT for A and B category mines.
- It directed the [Indian Council of Forestry Research and Education \(ICFRE\)](#) to draw up a **reclamation and rehabilitation (R&R)** plan to reverse the **environmental damage caused by illegal mining**.
- In 2012, the SC allowed 18 “**category A**” mines to resume operations.
 - Mines were categorized depending on the extent of illegalities committed by them:
 - **A Category Mines:** These are “leases wherein no illegality/marginal illegality have been found”
 - Mines with more serious infractions fall into **B and C categories**, based on their respective offences.
 - Once the mines were allowed to restart, the ore was sold through e-auctions.

▪ Implication of Order:

- With closure of mines, [steel mills](#) faced raw material shortages, forcing them to import from outside India, thereby **opening up the country to business for global iron ore giants**.
- The restrictions on production, e-auction and prices had also affected lakhs of mining dependents in Karnataka making their livelihood uncertain.

What have been the Recent Developments on the Issue?

▪ Mining Firms Appeal:

- In May 2022, **Mining Firms** had asked the **SC to scrap e-auction norms** in the export or sale of iron ore for mining lessees in the districts of Ballari, Tumakuru and Chitradurga.
- They claimed that they were **facing closure due to their stocks not getting sold**

▪ Karnataka Government's Stand:

- The government of Karnataka is in **favour of a complete removal of the ceiling limit**.

▪ Original Petitioners Stand:

- The original petitioner opposed any exports on the grounds that **minerals are national assets that need to be preserved and only finished steel should be exported**.

▪ Supreme Court's Ruling:

- The Supreme Court has **permitted resumption of exports** of already excavated iron ore from the state through modes **other than e-auction**, and also **increased the ceiling limit on mining for the following mines**:
 - **Ballari**: from 28 MMT to 35 MMT
 - **Chitradurga and Tumakuru districts**: from 7 MMT to 15 MMT
- The court ruled that it was **necessary to create a level playing field** for the mines situated in the three districts with others in the rest of the country.

What is E-Auction in Iron Ore Mining?

▪ About:

- An e-auction is a **transaction** between **sellers** (the auctioneers) and **bidders** (suppliers in the business to business scenarios) that takes place on an electronic marketplace.

▪ Process:

- After the completion of every bid, **a three-member monitoring committee**, appointed by the **Supreme Court**, publishes a document that **lists the details of the quality of iron ore, the mine that it belongs to, number of bidders for it and the final takers**.
- Once registered, the buyer can **see forthcoming auctions** on which they can bid.
- Each seller **specifies the quality of ore** that will go under the hammer, its **type** and the **floor price** from which the bidding should start.
- The **sellers** are those who have legal iron ore mines and **buyers** are typically steel manufacturers.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Consider the following statements: (2018)

1. In India, State Governments do not have the power to auction non-coal mines.
2. Andhra Pradesh and Jharkhand do not have gold mines.
3. Rajasthan has iron ore mines.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 3 only

Ans: (d)

Explanation:

- Mines and Minerals (Development and Regulation) Act, 2015 relates to the regulation of the mining sector in India and specifies the requirement for obtaining and granting leases for mining operations. It amended the Mines and Minerals (Development and Regulation) Act, 1957. Through this amendment, the Central Government has replaced the first-come-firstserved/ discretionary mechanism for grant of mineral resources by a transparent and competitive auction process.
- As per the Mines and Minerals (Development and Regulation) Amendment Act, 2015, the auction of mining licences of non-coal minerals is to be conducted by the respective State governments. **Hence, statement 1 is not correct.**
- India has three working gold mines (Hutti and Uti in Karnataka and Hirabuddini in Jharkand). While mining from Kolar gold fields has been abandoned in 2001, the Ramagiri gold mines, Ramagiri district (Andhra Pradesh) were locked out a few years ago following the poor production of gold and incurring losses to the government. The Government of Andhra Pradesh has now engaged the Australian Indian Resources Ltd. to commence mining from Ananthpur district. There are known deposits of gold bearing quartz rocks in the Rayalaseema region of Andhra Pradesh. **Hence, statement 2 is not correct.**
- Iron ore in Rajasthan is found in Jaipur, Udaipur, Jhunjhunu, Sikar, Bhilwara, Alwar, Bharatpur, Dausa and Banswara. This includes resources of Iron-Ore both Hematite and Magnetite. **Hence, statement 3 is correct.**
- **Therefore, option (d) is the correct answer.**

Mains

Q. Account for the present location of iron and steel industries away from the source of raw material, by giving examples. **(2020)**

Source: TH

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