



# The Big Picture: Mines & Minerals (Amendment) Bill

## Why in News?

Recently, the Lok Sabha has cleared the [Mines and Minerals \(Development and Regulation\) \(MMDR\) Amendment Bill, 2021](#).

- The Bill amends the [Mines and Minerals \(Development and Regulation\) Act, 1957](#), which regulates the [mining sector in India](#).

## Key Points

- **The MMDR Act, 1957:** The mines and minerals sector is governed by the Mines and Minerals Act of 1957. This act provides for:
  - The governance of mining leases within the country.
  - The purpose of why the lease is given.
  - How to ensure the well being of the people living in the areas where mines are auctioned.
- **Mineral Potential of India:** India has the same mineral potential as South Africa and Australia. It produces 95 types of minerals but despite this huge mineral potential, the mining sector of India still remains underexplored.
  - The mining sector contributes around 7 to 7.5% of the **GDP** of countries like South Africa and Australia whereas it is only 1.75% in India.
- **High Imports of Minerals:** India is importing around 2.5 lac crore rupees worth minerals.
- **Underexplored Mining Areas of India:** India has explored only 10% of its **Obvious Geological Potential (OGP)** so far.
  - Only 5% of OGP is being used by India for mining.
  - In Australia and South Africa, 70-80% of OGP is mined.

## MMDR Amendment Bill, 2021

### Objectives:

- **Transparency in the Auction Process:** The bill passed by a **voice vote** (vote given on a topic by responding orally), is aimed at bringing more transparency in the auction processes of the mines.
- **Enhancing Employment:** The major objective of the amendment is to generate employment in the mining sector and enhance the contribution of the mining sector in the total GDP of the country.
  - The Ministry of Mines has claimed an increment of about 55 lakh direct and indirect employment to be generated due to the reforms.
- **Attracting Domestic as well as Foreign Investment:** The government, through this amendment, is making an effort to attract domestic as well as foreign investment in the mining sector plus involvement of safe and effective technology in the sector.
  - Also, the government has permitted 100% [FDI under automatic route for sale of coal](#), for coal mining activities including associated processing infrastructure.
- **Increasing the Contribution of Mining to GDP:** The objective is to enhance the contribution of the mining sector in the GDP to up to at least 2.75% which at present is around 1.75%.

## Proposed Amendments:

- **Removal of the distinction of Captive and Non-captive Mines:** The MMDR Act, 1957 empowers the central government to reserve any mine as **captive mine** which is utilised for a specific purpose only.
  - The bill removes the distinction between captive and non-captive mines. The mines will not be limited to just a specific purpose/industry/sector.
- **Ores and Minerals Extracted from Captive Mines:** Earlier, the ores extracted from captive mines were only used by captive industries.
  - The bill allows the leaseholders of captive mines to sell upto 50% of their ore into the open market.
    - There is one caveat; additional charges will have to be paid to the government by the lessee for selling minerals in the open market.
  - The 50% cap is flexible, the government can go above the cap if necessary.
- **Transfer of Statutory Permissions:** The bill provides that all clearances and licences granted shall continue till the reserves have been mined and post the expiry or termination of the lease, will be transferred to the next successful bidder.
  - This will help attract investors as under the previous regime, the new lessee had pre-embedded clearances for only two years, making it difficult to get fresh clearances within this time period.
- **Involvement of Central Government:** As per the bill, if the lease for a mine is expired and the state government is unable to auction a mine, then the central government can step in for auctions; the basic idea is to not leave a mine idle.
- **Removal of Non-Exclusive License Regime:** In the act, companies have a non-exclusive license for the reconnaissance of the area to find out mineral potential.
  - The amendment removes the non exclusive license permit.
- **Extension of Mining Leases to Government Companies:** There are also provisions in the bill which allow the government to extend mining leases to government companies for a period of ten years. The idea is to ensure the utilisation of mine is more efficient.
  - The state governments will be provided additional royalty payments for extending leases to the Central Public Sector Enterprises (CPSEs).
- **District Mineral Foundation:** It is a trust set up as a non-profit body, in the districts affected by the mining works, to work for the benefit of affected people and areas. It is funded through the contributions from miners.
  - The bill provides that the central government can also direct how the money should be spent for the development of the area.

## Challenges Associated

- **Environmental Concern:** The reforms in the act unshackle the mining sector of India, as much it is beneficial for the development of the country. Mining is harmful from the environmental point of view.
- **Tribal Communities:** Several tribal communities and [Particularly Vulnerable Tribal Groups \(PVTGs\)](#) fall into the mining zones. Their residence is also threatened by an increase in mining. Their rehabilitation & compensation is another major issue.
- **Intervention of Central Government in State Matters:** Auction of a mine is a process where the power rests in the hands of state governments. There might exist ambiguity in the case where there are two different political parties in power at center & state.
  - The state governments may **object to the fixing of the royalties for extensions** of leases to the government companies as this may lead to lower revenues as compared to a transparent process of auction.
  - Moreover, the involvement of the central government in **directing the expenditure of [district mineral funds](#)** is also a matter of concern for the states.

## Way Forward

- **Encouraging the Mining Sector Reforms:** Reforms in the mining sector will propel the growth in other sectors that are dependent upon it.
  - The boom in the mining production will lead to a boost in a lot of metal and ancillary

industries as well. A lot of industries including the automobile sector will also be benefited with this.

- **Reducing Imports:** Despite having so much potential, India imports a large amount of raw materials. In order to fulfill the notion of **self-reliant India**, mining is one important aspect to take care of.
  - Currently many industries including steel, copper, etc import a large amount of raw materials and intermediaries.
- **Introducing an Independent Regulatory Body:** The ambiguity among the different ruling parties at state and central level should not be allowed to hamper the growth of the mining sector.
  - Therefore, the need is to have an independent regulating authority which should be given power to work in the larger interest of public & economic growth.
  - Its purpose is to make sure that no particular side is favoured and utilisation of resources for holistic benefit of the country is maximised.
- **Cooperation Between Central and State Governments:** In the best interest of mining industries, state governments and central government should cooperate and work together and make sure that mining involves more advanced technologies and is attracting more and more investment so that mining becomes safe for the people involved in mining and living around the mining areas and more employment is generated at the local level.
- **Handling the Environmental Concerns:** The government at different levels should work together to ensure that mining is environment friendly
  - Clearance of the projects for mining should be given after **Environmental Impact Assessment**, Seismic studies and taking the Biodiversity into account.
- **To Promote Exports and Employment:** Mineral is a bulky cargo and in order to become an exporter of minerals, India needs to improve its infrastructure in terms of railway racks, port capacities and shipping facilities.
  - India should focus on generating employment too. The sector has huge potential for job creation at local level which can counter the migration and thus prevent cities from getting overburdened.

### Constitutional Provision Related to Mining

- The entry at serial No. 23 of List II (State List) to the Constitution of India mandates the state government to own the minerals located within their boundaries,
- The entry at serial No. 54 of List I (Central List) mandates the central government to own the minerals within the exclusive economic zone of India (EEZ).
  - In pursuance to this Mines & Minerals (Development and Regulation) (MMDR) Act of 1957 was framed.
- The central government has the ownership over all offshore minerals (ie, minerals extracted from the sea or ocean floor in the Indian maritime zones such as the territorial waters, continental shelf and exclusive economic zones).