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Indian Mining & Exploration Updates

VOLUME 5, ISSUE 3

FEBRUARY 2018

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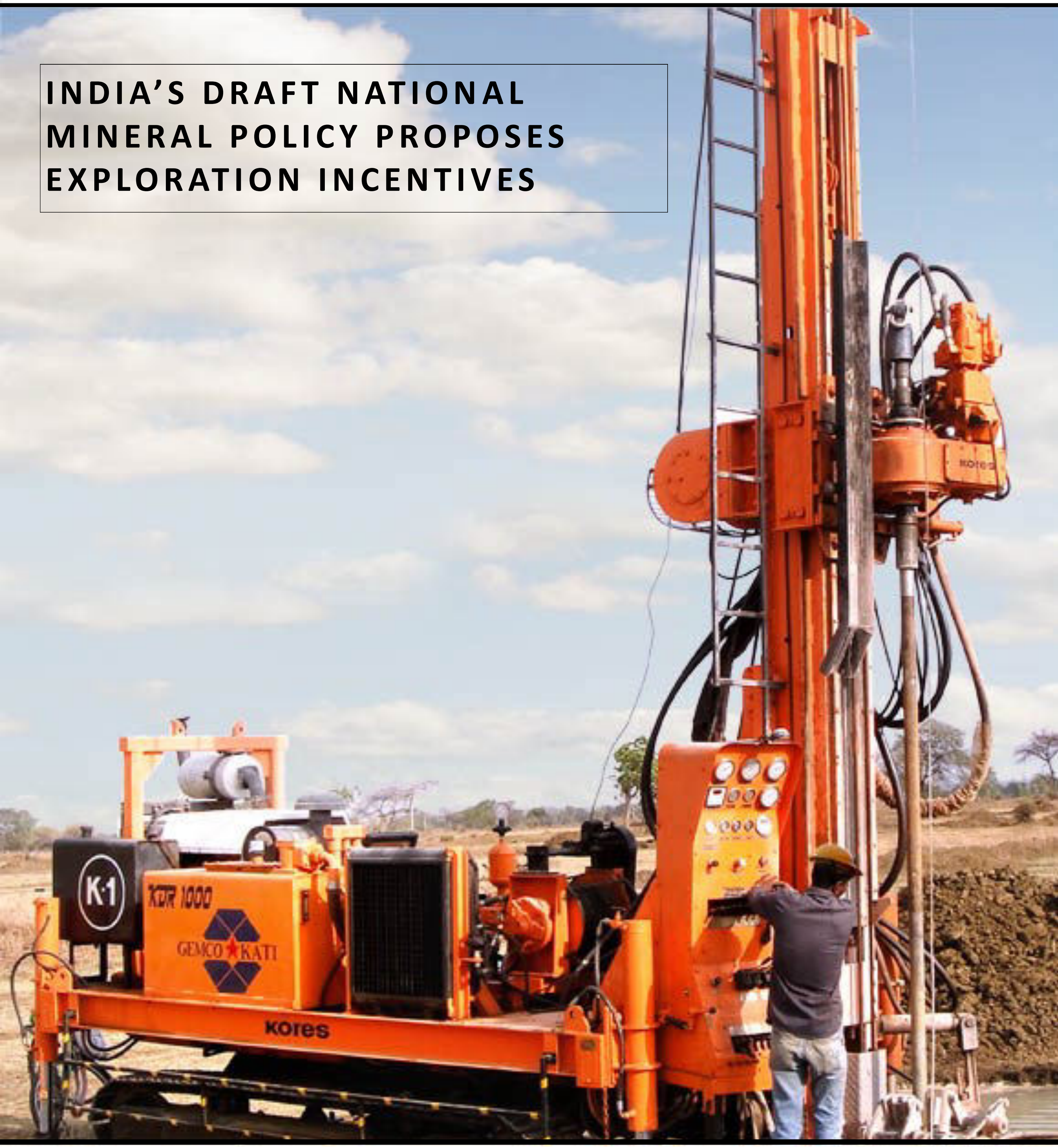
INDIA'S DRAFT NATIONAL MINERAL POLICY PROPOSES EXPLORATION INCENTIVES



INDIA'S DRAFT NATIONAL MINERAL POLICY PROPOSES EXPLORATION INCENTIVES

India's Mines Ministry has unveiled the draft National Mineral Policy (NMP) 2018, which proposes to offer mineral exploration companies the right of first refusal at the auction of any area explored by them. The draft NMP, which is now open for feedback from industry and stakeholders, maintains that a first right of refusal will incentivise global exploration majors to invest in exploration projects in the country.

The Mines Ministry has said that the NMP is open for suggestions on any additional incentives, as per globally accepted principles, that will enable global mining exploration and production majors to step up investments in the country.

The Ministry earlier proposed that, while exploration companies on completion of their project will be reimbursed for costs incurred, they will have to compete with other bidders at an auction to take their project forward. However, in the course of consultations with international resource majors, including Rio Tinto and BHP Billiton, officials in the Mines Ministry veered round to the conclusion that a mere reimbursement of costs of high-risk exploration projects without a composite licence for development after exploration, will not attract investment by many companies.

Other exploration incentives on the cards include a fixed royalty payment for the entire period of a mining lease, in case the discovered mineral asset was secured at the auction for development by an entity other than the exploration company, or a one time down payment payable by the developer to the exploration agency.

The Ministry has set a deadline of February 9 for receiving all feedback on the draft NMP, following which a final version will be prepared.

"Steps will be taken to facilitate financing of mine development as exploration being an integrated part of it, exploration projects would be granted mining industry status," the draft NMP states.

"At the same time, to ensure a high degree of enforcement of mining plans, the Indian Bureau of Mines and mining directorates at the state levels will be strengthened with adequate manpower and skillsets," the draft says. For an effective NMP to be put into place, the government will establish a mining tenaement system, which will be fully automatic for the entire lifecycle of the tenement, involving a full information technology backbone, the Ministry said.

INDIA'S MINERAL OUTPUT AT RISK AS LEASES ARE SET TO EXPIRE

With 348 non coal mining leases set to expire in 2020 and a lack of preparedness by provincial governments in holding fresh auctions, the country's mineral production in the next few years is at serious risk.

The Federation of Indian Mineral Industries, the apex representative body of miners, has cautioned that raw material availability to downstream industries could be at risk if mining leases are not issued in specific timeframes.

Taking note of the immediacy of the issue, the Mines Ministry, in a communication to various provincial governments, said, "with 348 mining leases slated to expire by 2020, the provincial governments need to gear their machinery to commence auction of these operational mines from July 4, 2019, to avoid any disruption in production from these mines".

The ministry has pointed out that even after new auctions are conducted, those securing the mining lease will have to be given "sufficient time to secure all mandatory approvals" and that any delays in the post-auction process will not lead to the operational mines getting stranded.

The provincial governments have been directed to submit action plans to the Mines Ministry, which should detail any fresh exploration that may be required within the leasehold areas, finalise geological assessment reports and identify specialised agencies that will be empanelled in the case of new exploration projects in the leasehold area.

VEDANTA BAGS 2 ODISHA BAUXITE MINES

DAVOS: After being vilified for more than seven years by activists and the green lobby, political heavyweights such as Rahul Gandhi and even a handful of conscious capitalists for his mining exploits, or rebuked by the British government, international pop stars and Hollywood legends for his apparent failure to respect the rights of an indigenous tribe, Anil Agarwal finally has some respite - and hopes of a turnaround for his mega aluminium operations in Odisha.

Agarwal's flagship VedantaBSE -2.13 % has been awarded two bauxite mines by the state government, a top official said, confirming the move that will help reverse the massive financial drain the group has endured since 2013.

The two mines with 15 mtpa bauxite reserves can take care of 75% of Vedanta's needs of 20 mtpa. The mining output will help Vedanta convert it into 6 mtpa of alumina, which in turn will be refined to 3 mtpa of aluminium. That would mean doubling of current capacity from 1.75 mtpa.

"We have been pleading with the state for a long time. They have always been proactive. Now finally we can ramp up production and then expand the total capacity. I am very hopeful that the worst is over for us," Agarwal said, confirming the development in an exclusive interview with ETin Davos.

Vedanta has invested more than.`50,000 crore in Odisha in two smelters, refinery, and captive and merchant power plants, making it the largest investment by a corporate house in last 15 years in the state. The two smelters are in Jharsuguda, with the combined capacity of 1.75 million tonnes, representing the world's largest single-location aluminum facility.

The aluminum refinery is in Lanjigarh and has a capacity of 1 mtpa. It has already sought approvals to expand this capacity to 6 mtpa from the state government.

Vedanta was involved in a joint venture with the Odisha Mining Corporation Ltd (OMCL), a stateowned company, to develop a bauxite mine in the Niyamgiri hills and supply material to the conglomerate's nearby alumina refinery. But since 2013, the company has been hamstrung as local villages voted against its mining operations in Rayagada and Kalahandi districts.

Unavailability of bauxite meant the company's Lanjigarh alumina factory would languish from raw material crunch. The unit has been compelled to run on low capacity on imported bauxite. As a result, the Jharsuguda smelter is unable to source sufficient alumina, the feedstock for aluminium, in house.

Currently, the company is estimated to be importing 60 to 65% of its alumina requirement from different countries. This has meant a production of a paltry 0.96 million tonnes (mt) of aluminium across its two facilities in Odisha and Chhattisgarh in FY17, although the expectation is of an annual output of 1.6 mt in FY18.

"Vedanta now buys alumina at $300/tonne whereas if it produced on its own, it would've cost $180/tonne. The operations are still loss making at a PAT level due to the high debt overhang," said Rakesh Arora, managing partner, Go India Advisors.

VENTURING INTO GLASS

"Scale is the most important factor that ails most Indian businesses," said Agarwal. "In natural resources, we have six main businesses - zinc-lead-silver, iron ore, oil, aluminium, copper and power. We are ramping up in all," he said. "We have also identified a new business that is specialty glass," he added.

Last month, Vedanta acquired a controlling stake in a Japanese glass substrate manufacturing company, AvanStrate Inc, from global private equity firm, The Carlyle Group, for $158 million.

AvanStrate makes glass substrates for small and medium-sized high resolution thin film transistor (TFT) liquid crystal display (LCD) panels, which are used in screens for devices including smartphones, cameras, flat screen televisions and tablets. Glass substrate is made of silicon and metallic oxides.

The Japanese company was established in 1991 as an equal joint venture between Nippon Sheet GlassBSE 0.00 % Co. Ltd and Hoya Corp. It was formerly known as NH Techno Glass Corp.

"I am very keen on speciality glass meant for LCD screens, mobile phones and other electronic items. The company has R&D in Japan and manufacturing in Korea and Taiwan. We will first stabilise its operations then increase capacity. India imports $100 billion of electronic items annually. We want to set up production in India as part of PM's pitch to boost local manufacturing," said Agarwal. "This should be a game changer."

Anew company is likely to be set up for this business. The plan, said Agarwal, is to also set up a greenfield unit in Nagpur, Maharashtra, in two years. Only a handful of global companies dominate the space like Corning, Nippon and Asahi Glass at present.

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With the Anglo-American stock rising by more than 40% since he invested in tranches to take his stake up to 21%, he is no rush to explore any strategic option. "We were keen to see if Hindustan Zinc can be merged with Anglo-American. But there is no immediate need. I stand vindicated. I will own the shares for a long time," Agarwal said.

Insisting that there exists tremendous opportunities to leverage the operations of both companies in India and Africa in areas as diverse as zinc, iron ore, diamond, coal and platinum, Agarwal said he is keen on a collaboration.

However, an Anglo American spokesperson told ET that the mining giant has no association with Vedanta and that Agarwal's investment in the company was in his personal ca-

INDIA TO REVAMP COAL BLOCK AUCTION PROCESS

India's Coal Ministry has initiated a revamp of the coal block auction process following the cancellation of two bidding rounds last year, owing to a poor response from non-power companies.

The Ministry has set up a committee to prepare a report suggesting changes in the auction model and expects to put in place a new regime within the next six to eight months.

Revenue sharing and/or production sharing contracts with successful bidders are among some of the changes under consideration.

The thinking is to align the coal sector with oil and gas, through the introduction of its own version of Open Acreage Licensing Policy (OALP) that governs crude oil and natural gas exploration and production.

Under OALP, which forms part of the new Hydrocarbon Exploration Licensing Policy, exploration companies can carve out blocks of choice and, once expressions of interests have been submitted and accepted, government will hold an auction every six months to allocate the asset to a successful bidder.

At the same time, under the liberalised exploration policy, any exploration company finding exploratory projects viable for development will have full production, marketing and pricing freedom and a revenue sharing contract with the government.

Since auctions were made mandatory for the allocation of coal blocks, the government has been able to hand over 72 blocks, through reverse auction in the case of power companies and forward auction for non-power companies.

However, with the government working to throw open commercial coal mining to private miners, the Coal Ministry is open to the idea of miners paying government revenue based on a ton of production or share part of the production as per suggestions received from the industry, ministry officials have said.

Meanwhile, in a related development, government miner, Coal India Limited (CIL) has been allocated 11 new coal blocks, through the preferential dispensation route. The 11 operational and new blocks have been allocated to various wholly owned subsidiaries of CIL and at full capacity utilisation, the blocks have the potential to incrementally add 225-million tons a year to the group's total production.

STATES WELCOME AMENDMENT TO MINERAL AUCTION RULES: UNION MINES MINISTRY

States have welcomed the recent amendment to the Mineral Auction Rules by the Centre to expedite e-auction of mineral blocks, the government said today.

States have welcomed the recent amendment to the Mineral Auction Rules by the Centre to expedite e-auction of mineral blocks, the government said today. "The recent amendment to the Mineral Auction Rules by the Union Mines Ministry to make the auction process less cumbersome were welcomed by the states to enable them to expedite the mineral auction process," It said. As a result, post amendment of rules in 2017, almost 30 blocks will be put up on auction in January 2018, which is the highest in a month since the auction route was adopted for allotment of the mineral blocks. A meeting was held today in Goa, headed by Mines Minister Narendra Singh Tomar, which was attended by by Goa Chief Minister Manohar Parrikar and representatives of other states. The statement said Parrikar sought that support of the Central government to resolve issues that crop up from time to time in the mining sector.

"He requested for reduction of export duties on Iron ore up to 60 per cent so that the Iron ore industry of Goa is helped," the statement said. A total of 88 major mineral blocks have been notified by 9 states for auction and 33 blocks have been successfully auctioned, and the total estimated revenue to the state government over the lease period stands at Rs 1,28,388 crore, it said. "The additionality to states due to bringing in the auction process shall be in excess of Rs 99,000 crore, which will accrue as an additional revenue to the states only due to introduction of auctions for grant of mineral concessions. "Thus, the auctions introduced by MMDR Amendment in 2015 have brought huge additional revenues along with greater transparency in allocation of mineral resources of the country," the statement said.

It added that more than Rs 13,700 crore have accrued in the fund of District Mineral Foundation in the mining districts of major mineral rich states across the country. These funds are being utilised for projects under the Pradhan Mantri Khanij Kshetra Kalyan Yojana for the social welfare, protection of environment and infrastructure development of mining affected areas and thus help in creating a congenial mining environment in the local communities. The statement said the need for initiating the auction process well in advance for the leases of merchant miners expiring in 2020 was stressed to ensure a seamless transition from the existing to the new lessees.

Also, Mining Surveillance System (MSS) harnessing the space technology was applauded by the states on its impact in curbing the incidence of illegal mining.

JSW TO BID FOR 8 MINES IN KARNATAKA, REPORTS ITS HIGHEST EVER QUARTERLY STEEL PRODUCTION

The company said it's on track to meet its guidance on sales and will achieve the 15.5 million tons target by the end of this year

JSW Steel, the biggest Indian steelmaker, plans to bid for eight mines in Karnataka that have been opened up for auctions. The last day for putting in the bids is March 12.

"We already have five mining leases in the State. While production in one mine will begin next week, the second mine will be commissioned in this quarter," said Seshagiri Rao, Jt Managing Director & Group CFO.

Production in rest of the three mines will begin in the first half of the next financial year, Rao said in a conference to announce the company's third quarter results.

The five mines collectively will have a capacity of nearly 5 million tonne of iron ore a year.

Backed by its best ever performance in crude steel production (up 7% YoY to 4.11 million tonnes) and steel sales (up 12% to 4.03 million), JSW Steel reported a 140 percent surge in its net profit at Rs 1,774 crore.

Its revenues increased by 17 percent to Rs 17,861 crore in the quarter ending December 2017. The company also saw its exports surging 56 percent in the third quarter. Exports made up for 30 percent of the total volumes.

Rao though clarified that the net profit numbers were propped up by tax credit gains in its US operations. The company also had a provision of Rs 264 crore for surrendering one of its iron ore mines in Chile.

"Even without the exceptional items, revenues would have increased by 96 percent year-on-year," said Rao.

Outlook

The company said it's on track to meet its guidance on sales and will achieve the 15.5 million tons target by the end of this year.

"A sharp increase in raw material prices has put a tremendous pressure on costs. However, increase in steel prices should alleviate the cost impact to an extent," the company said in a statement.

SEVEN MINERAL BLOCKS TO BE AUCTIONED BY ODISHA GOVERNMENT IN MARCH

Minister of State for Steel and Mines Prafulla Mallick on Sunday said the State Government has lined up seven more mines for auction by end of the current financial year. “The state Government is in the process of issuing notice inviting tenders for four iron ore, two manganese and one limestone blocks by end of March,” the Minister said.

Mallick, who attended the meeting of mines ministers at Goa on Friday, said the recent amendment in the Mineral Auction Rules by the Centre will make the auction process less cumbersome and enable the State to expedite it. As many as 30 blocks across the country will be put up for auction by the end of January and if this happened, this will be the highest in a month since the auction route was adopted for allotment of mineral blocks, he said.

Earlier, the State Government had assigned the job of exploration of seven mines for upgradation from G3 to G2 level of the Mineral Exploration Corporation of India (MECL), a Government of India concern. A mineral block with G2 level of exploration has better clarity on the quantity of mineral reserve in the block, which makes it easy for the Government to decide base price and set norms for auction. Such blocks are put up in the auctions for mining licences, sources said.

Mallick said the meeting chaired by Union Minister of Mines Narendra Singh Tomar discussed the utilisation of funds collected under District Mineral Foundation. Odisha has topped the list with a collection of about `3,800 crore. The State has so far allocated funds to the tune of `2,100 crore for social welfare, protection of environment and infrastructure development of mining-affected areas and about `500 crore have been utilised.

Expressing concern over the environmental degradation of mining areas, Mallick urged the Centre to frame rules and make it mandatory for the miners to compensate the loss of forest in the areas of their operation.

OPPOSITION TO OZ PROJECTS ABETTED BY NGOS, COMPETITORS: GAUTAM ADANI

Adani Group Chairman Gautam Adani today said the intense resistance to his group's Australian coal mining project was "abetted by some international NGOs and competitors" and termed personal attacks on him as "vicious".

The Adani Group entered Australia in 2010 with the purchase of greenfield Carmichael coal mine in the Galilee Basin in central Queensland, and the Abbot Point port near Bowen in the north.

Speaking at the SRCC Business Conclave, Adani said the group has lined up USD 15 billion investment in a greenfield venture in Australia to mine and transport coal that would replace a part of the poorer quality domestic coal being burnt in India.

"However in recent years our project has faced intense resistance, abetted by some international NGOs and competitors who have turned to vicious personal attacks and used the press to their advantage," said Adani, who rarely addresses public fora.

The coal mining project in Australia would create significant job opportunities within Australia, while bringing energy security to 18,000 villages in India that have no access to electricity.

The group's planned investments in Australia, Adani said, is the "largest overseas greenfield investment ever" by any Indian company.

Despite job creation opportunities, the Carmichael project has been facing opposition from environmentalists and indigenous groups. The Indian energy giant has for more than five years been battling the opposition to any expansion of the Abbot Point port.

Stating that the Group's journey from thermal power to coal mining has often come under criticism, Adani said that, while he agrees global warming is a challenge and a cleaner energy base is critical, it is possible to believe in both coal and renewables.

"The fact is that renewable energy technologies are not currently ready to provide uninterrupted base load power. The fact is that it is our responsibility to get electricity to the Indian child who needs to light that single bulb to educate himself," Adani said.

He said in India there are 300 million citizens that lack access to power and the country is one of the lowest emitters of carbon-dioxide on a per capita basis.

The Adani group is "aggressively pushing renewable energy" and

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has featured as one of the top 15 renewable players in the world, he said.

Adani interjected his address to the students of SRCC with his life story on how from a high school drop out at the age of 16, he created a global integrated infrastructure group with with a revenue of about USD 11 billion.

"You are at a point of time where the future of our nation is full of incredible growth opportunities. If I, against all odds, made it as an entrepreneur there is no reason why here cannot be a thousand greater entrepreneurs amongst you too," he said in his 30-minute speech.

GOVT MAY HAND OVER COAL, IRON ORE MINING TO STEEL MINISTRY TO BOOST SUPPLIES

The integration would allow the steel ministry to make better trade policies, speed up approval of mining licenses and make it easier for foreign steelmakers to set up operations in India

India is considering a plan to hand over control of iron ore and coking coal mining to the steel ministry to boost supplies of the key steelmaking materials as the country is poised to become the world's second-biggest producer, according to a person with knowledge of the plan.

The proposal to shift the regulatory authority from the current mines and coal ministries is under discussion and needs approval from the prime minister's office and the ministries, said the person, who asked not to be identified as the matter is not yet public. The integration would allow the steel ministry to make better trade policies, speed up approval of mining licenses and make it easier for foreign steelmakers to set up operations in India, the person said.

India's steel and mining industries have been at loggerheads over iron ore exports. While miners have sought lower export taxes to become more competitive globally, steelmakers have argued for conserving the material for domestic use and focus on exports of value-added products rolled out of their mills.

The steel ministry has been trying to formulate a policy on iron ore pricing for more than a year as it seeks to protect the industry from volatility. The plan to shift control of the sectors would enable the ministry to finalize its plan sooner, the person said.

Spokespeople from the prime minister's office and the coal and steel ministries didn't respond to calls. Mines secretary Arun Kumar wasn't available for comment.

India's steel output is expected to rise to 108 million metric tons this year, topping Japan's 107 million. Bloomberg

ULTRATECH CEMENT GETS GREEN NOD FOR LIMESTONE MINING PROJECT

UltraTech Cement has got the go-ahead for its limestone mining project in Bhavnagar district, Gujarat that would entail an investment of about Rs 60 crore, as per official documents. The proposal is to mine limestone in a lease area of 632 hectare with production capacity of 2.07 million tonne per annum (TPA). Total mineral reserves are 63.58 million tonne and life of the mine is 32 years.

In a letter issued to the company, the Environment Ministry said it has given the green light to UltraTech Cement's proposed limestone mining project with certain conditions.

Among conditions, the company has been asked to rehabilitate 147 families and provide a house for each family with a total expenditure of Rs 12.25 crore or as per the norms of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013, whichever is higher, it said. The company has also been asked to help the project affected farmers for purchase of alternate agriculture land at a lower cost in and around nearby villages for livelihood.

In the proposal, UltraTech Cement has informed that it will carry the mining operations by non-conventional opencast mechanised method without any drilling and blasting.

Surface miner will be used for mining and limestone will be transported to the proposed cement plant located at Bhavnagar district and existing cement plants located in Amereli district via existing roads, it added.

UltraTech Cement, the Aditya Birla Group firm, is the largest cement producer in India with the production capacity of 68 million tonne per annum. Its business is spread over five countries.

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MINING-AFFECTED AREAS OF 12 TOP MINERAL-RICH STATES: OF TOTAL WELFARE FUNDS COLLECTED, ONLY 17 PER CENT SPENT TILL 2017-END

According to data provided by the 12 state governments to the Centre, only Rs 2,260 crore of the DMF amount was spent till the end of 2017. As on October 30, 2017, Odisha collected the highest Rs 3,548-crore DMF funds

While 12 top mineral-rich states have collected Rs 13,398 crore for their district mineral foundations (DMFs), the district-level bodies established under the new mining law to benefit local people affected by mining operations, they spent only 17 per cent of the amount till the end of 2017.

According to data provided by the 12 state governments to the Centre, only Rs 2,260 crore of the DMF amount was spent till the end of 2017. As on October 30, 2017, Odisha collected the highest Rs 3,548-crore DMF funds. As on November 30, Chhattisgarh and Jharkhand collected Rs 2,331 crore and Rs 2,314 crore for their DMFs, respectively.

However, Chhattisgarh is the leading state when it comes to spending the amount, while Jharkhand and Odisha are second and third, respectively. Chhattisgarh, Jharkhand and Odisha spent 51.56 per cent, 11.23 per cent and 7.24 per cent of their DMF funds, respectively.

Chhattisgarh established its DMFs for major and minor minerals on December 12, 2015, and January 2, 2016, respectively. Jharkhand set up its DMFs for major and minor minerals on March 23, 2016, and January 13, 2017, respectively. Odisha established its DMF on August 18, 2015. In India, the classification of 'minor minerals' and 'major minerals' is done according to the Mines and Minerals (Development and Regulation) Amendment Act, 2015, also known as MMDRA Act, 2015. Minor minerals include building stones, gravel, ordinary clay, ordinary sand, limestone used for lime burning, boulders, kankar, murum, brick earth and bentonite. Major minerals include coal, manganese ore, iron ore, bauxite, limestone, kyanite, sillimanite, barites and chromite.

Till November 30, 2017, Madhya Pradesh, Rajasthan, Maharashtra and Andhra Pradesh were able to spend just 10.83 per cent, 20 per cent, 9.03 per cent and 13.97 per cent of the funds, respectively. Madhya Pradesh established its DMF for major minerals on May 15, 2015. Rajasthan, Maharashtra and Andhra Pradesh established its DMF for both type of minerals on May 31, 2016; September 1, 2016 and June 27, 2015, respectively.

Under DMF, Chhattisgarh has started 43,484 schemes or projects related to areas such as drinking water supply, environment preservation, pollution control, health and education, among others. Jharkhand has started a total of 2,07,173 schemes — 761 schemes sanctioned for drinking water sanitation and 52 schemes for health sector only. Jharkhand has identified 99 per cent of its schemes for open-defecation free villages only.

While Telangana collected Rs 603 crore till November 30, 2017, it spent only 1 per cent of the amount. The state has informed the Centre that "the implementation of schemes/projects through DMF is at initial stages in five districts" of the state. Except for Kerala and Meghalaya, all other states — who are rich in 'major' minerals — have established DMFs. Kerala and Meghalaya, along with Madhya Pradesh and Goa, have not yet established DMFs for minor minerals, according to the Central government.

The MMDRA Act, 2015, mandated the establishment of DMFs — for major minerals as well as minor minerals — in all districts affected by mining-related operations. In India, most districts affected by mining operations are extremely poor, not having even basic amenities such as clean water, schools and hospitals. According to the law, any mining licence or composite licence (prospecting licence-cum-mining licence) can be granted by state governments through auction route only.

Such a licence-owner company has to pay the DMF — established in the district where it is mining — an amount equivalent to 10 per cent of the royalty. All mining licences were granted on discretionary basis by state governments under the old mining law. Such licence-owner companies have to pay the DMF an amount equivalent to 30 per cent of the royalty.

High priority areas like drinking water supply, health care, sanitation, education, skill development, women and child care, welfare of aged and disabled people, skill development and environment conservation will get at least 60 per cent share of the funds, as per the mining rules. For creating a "supportive and conducive" living environment, the mining rules state that remaining funds will be spent on making roads, bridges, railways, waterways projects, irrigation and alternative energy sources.

AS POWER DEMAND SURGES, GOVT ALLOTS MINES TO COAL INDIA ARMS

First allocation in 2 years; 11 blocks can produce 225 mt annually

After a gap of nearly two years, the Coal Ministry has restarted the process of allocating mines. The Ministry allocated 11 coal blocks to subsidiaries of Coal India Ltd.

"After the allocation of these blocks, all of Coal India's subsidiaries will be producing 100 million plus tonnes of coal," said Piyush Goyal, Minister for Coal and Railways, in an informal chat with journalists here.

Interest in allocating or auctioning coal blocks had waned because of the increase in coal production and also because consumers started to believe that 'coal was flowing out of a tap,' said Goyal, defending the lag in auctions.

"Of these 11 mines, five are de-allocated and six are new mines. These blocks are estimated to have a production of 225 million

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tonnes per annum," the Minister said.

The country's coal supply value chain had come under pressure in 2017 with a sudden dip in hydro, nuclear and wind-power generation leading up to an increased dependence on coal-run power plants.

This spurt in demand had also put pressure on the Railways to increase the number of rakes dedicated to ferry coal.

Three coal mines in Jharkhand were allocated to Eastern Coalfields Limited, four mines in Odisha to Western Coalfields Ltd and four mines, two each from Bihar and Jharkhand, to Bharat Coking Coal Ltd, said officials.

"As all of Coal India's subsidiaries will be producing more than 100 mt per annum post allocation, this is in line with our target of achieving 1-billion-tonne per annum coal production from CIL by 2020," he added.

Conveyor transport

Commenting on the roadmap to reduce the stress on the coal supply eco-system, Goyal said: "We have asked power plants that are in a 60-km radius to set up covered conveyor belts for transport of coal. Five power plants of NTPC and three of Damodar Valley Corporation have started work on these projects to transport coal over a distance of 20 km."

"The cost of setting up these conveyor belts can be recovered within two years due to the lowered costs of fuel supply," he added. OIn proposals for commercial coal mining, Goyal said: "I would prefer a system where the government will charge the companies per tonne of coal produced. There was a proposal from the industry to have a production sharing methodology."

"A Monitoring Group headed by former Chief Vigilance Commissioner Pratyush Sinha is examining all proposals," he added.

SUPREME COURT ASKS ODISHA TO TAKE COERCIVE ACTION AGAINST DEFAUTING MINES

The Supreme Court on Tuesday directed Odisha to take "coercive action" against miners who failed to comply with the court's orders to reimburse the state for violating environmental laws while extracting iron ore between 2000-2010.

Leases of 44 mines, including those of Aditya Birla Group's Essel Mining, Mideast Steel and Serajuddin now face cancellation. Senior legal experts involved in the case say leases could be revoked after a show cause notice granting them 60 days and if the dues are still not paid certificate cases can be filed against the defaulters.

Odisha, accounts for nearly half the country's iron ore production. Last year, on 2 October, the SC held that a violation of environmental laws also amounted to illegal mining, and the state must be compensated for these excesses even if they had been condoned. Odisha expected to collect Rs 17,576 crore from 131 iron and manganese miners before the court-set deadline of 31 Decembre 2017 ..

These amounts reconciled with them represented a rationalised value of all ore they had mined between 2000-2010 in excess of their environment permits or without a forest permit.

Seven operating mines, together amounting to 20mt of iron ore production had not been able to meet this deadline sending domestic steelmakers into panic about shortage of ore.

By Tuesday the state had received around Rs 10,900 crore from 73 odd miners, including late payments from state owned Industrial Development Corporation of Odisha Limited (IDCOL) and Essel Mining.

Odisha has also been asked to collect a 12% interest on late payments. IDCOL, which operated a lease of Orissa Mining Corporation's will now have to pay this interest but can run its mine. Essel Mining, which paid a part of its dues in the first week of January, however cannot. It had pleaded to be allowed to resume operations, but Amicus Curiae, ADN Rao pointed out that the court appointed Central Empowered Committee had recomended a cancellation of one of the firm's three leases. The fate of Aditya Birla Group's unlisted company will be decided after ten days when the matter is scheduled to be heard again.

Many have had to borrow to pay these sums, running into hundreds of crores, even though they are uncertain of ever recovering such amounts from their operations.

One such mine owner, who asked not to be named, said he was not going to take a chance, even though his lease lapses two years from now. "We had never expected to be fined after having paid a royalty, duties and other taxes on mining that had been done under the supervision of the Indian Bureau of Mines and and state mining directorate," he said.

This landmark judgement should have concluded a long debate on whether the Mines and Minerals (Development and Regulation) Act allowed for extraction, within the leasehold area but in violation of other laws particularly environmental, to be considered illegal.

Yet, there are two views-- one says that the court's interpretation of Section 21(5) of the Act is now the law of the land. The Mines Ministry at the Centre seems to think so and has asked all states to comply. Jharkhand and Andhra Pradesh are among those that have made similar demands from miners in their states.

An opposing view is that the SC order was for "compensation" and not a "fine" and therefore applies only to the 131 leaseholder in Odisha party to this case, and not to other states or other minerals, such as bauxite and chrome.

Naveen Patnaik's government in Odisha and the BJP ruled Jharkhand have slapped notices running into thousands of crores on Coal India's subsidiaries. State miner Coal India is contesting these claims.

CENTRE INVITES VIEWS ON DRAFT MINING POLICY

The Union ministry of mines has invited objections and suggestions for the draft national mineral policy (DNMP). The policy, which states that the private sector will be encouraged to take up exploration, also spells out that the government intends to grant mining 'industry' status.

"Mining needs to be carried out in an environmentally-sustainable manner, keeping stakeholders' interest in mind," it states. "It shall also be ensured that the regulatory environment is conducive to ease of doing business with simpler, time-bound procedures for obtaining clearances."

"Since mining contributes significantly to state revenues by way of auctions there is a need for an efficient regulatory mechanism with enabling e-governance systems to prevent illegal mining."

An inter-ministerial body, with members from the ministries of mines, earth sciences, environment, forest, and climate change may need to be constituted to institutionalise a mechanism to ensure sustainable mining with adequate concerns for environmental, social, and economic issues in mining areas.

"Steps shall be taken to facilitate financing of mine development and also exploration being integral to the mining project for which efforts shall be made to grant mining the status of industry," stated the union ministry of mines in the draft policy.

It also states that in order to ensure the enforcement of mining plans, the Indian bureau of mines (IBM) and state directorates of mining and geology will be strenghtened with adequate manpower and equipment. Skillsets, too, are set to be upgraded.

While government agencies would continue to perform survey and exploration tasks, the private sector too would be encouraged to take up these activities. Government agencies will expend public funds particularly in areas where private sector investments are not forthcoming due to reasons such as high uncertainties.

The policy states that efforts shall be made by the government to establish a mining tenement system, which would primarily involve automating the entire concession life cycle using state-of-the-art IT system.

The ministry of mines said that the conservation of minerals shall be construed not in the restrictive sense of abstinence from consumption or preservation for use in the distant future, but as a positive concept leading to augmentation of the reserve/resource base. There shall be an adequate and effective legal and institutional framework mandating zero-waste mining as the ultimate goal and commitment to prevent sub-optimal and unscientific mining.

The policy also states that mining infrastructure requires a special thrust as the economic efficiency of evacuation of minerals from pit mouth to user point or port or rail head is closely linked to the end use value of the mineral and of the viability of the industry producing and using the mineral. While local evacuation networks will be encouraged to be built in an integrated manner along with developing the mineral block, dedicated mineral corridors shall be planned to facilitate transport of minerals from mining areas in hinterland.

It states that extraction of minerals impacts other natural resources like land, water, air and forest. It is necessary to take a comprehensive view to facilitate the choice or order of land use keeping in view the needs of development as well as needs of protecting the forest, environment and ecology, it says.

EASE RULES FOR EXPLORATION AND MINING OF MINERALS: VEDANTA TO GOVT

Ahead of Prime minister Narendra Modi's Davos visit to court investors, Vedanta group chairman Anil Agarwal has suggested that government ease the rules for exploration and mining of minerals besides addressing concerns related to retrospective taxation.

Vedanta which acquired Cairn India is facing a tax demand of over Rs 20,000 crore after the then finance minister amended the law retrospectively to tax transactions involving overseas companies with assets in India. Agarwal has suggested that resolution of the issue will address concerns of global investors although the Modi government has maintained that it does not intend to use the law retrospectively.

Agarwal, whose group deals in natural resources has demanded changes in policies related to sectors his companies operate in, arguing that it will benefit SMEs and enhance domestic economic activity.

"The new policies on exploration need to address the core issues. For example, India cannot meet its target of producing 300 million tonnes of steel, if we continue to have caps on the production of iron ore. This necessitates the import of iron ore, thereby leading to the outgo of precious foreign exchange," the letter said.

Similarly, he has pitched for the removal of the 20% cess on domestic crude oil, which argued that imported crude oil is not taxed. "We hope it can be brought down to a realistic level, say under 10%," Agarwal said.

Further, he said, India has one of the highest bauxite reserves and the mines can be auctioned on the basis of available data as in the case of oil & gas sector under OLAP so that the demand can be met by domestic production. He has also suggested reducing duties aluminium scrap.

MINES MINISTER NARENDRA SINGH TOMAR REVIEWS IRON ORE PRODUCTION IN ODISHA

The Supreme Court had on August 2 last year imposed a penalty on 152 iron ore and manganese lessees in the state for illegal mining. These mines were found to have conducted operations without forest and environment clearances between 2000 and 2011.

Mines Minister Narendra Singh Tomar on Tuesday asked operating mining companies in Odisha to increase output within permissible ceilings to ensure supplies to steel companies in the wake of closure of six mines in the state, the government said on Tuesday. “Union Minister of Mines Narendra Singh Tomar today met mining companies from Odisha to review the production of iron ore, subsequent to the closure of six mines in Odisha,” the Ministry of Mines said in a statement.

The statement said it was noted that some miners still have a headroom to increase production within their permissible environment clearance and other limits. “The minister requested the miners to follow the Supreme Court orders on mining and endeavour to increase their production to the maximum possible within their permissible ceilings,” the statement said. Though the production in January is expected to be lower, the operating miners assured that they shall step up production so that the steel industry remains fully supplied, it said.

The minister exhorted the miners to increase production and assured them that the Ministry will facilitate in enhancing production and miners were free to approach the Ministry with specific problems which they may encounter, it added. The Odisha government earlier this month has suspended operations in six mines that failed to pay penalties by December 31 for overproduction and illegal activities.

The Supreme Court had on August 2 last year imposed a penalty on 152 iron ore and manganese lessees in the state for illegal mining. These mines were found to have conducted operations without forest and environment clearances, sometimes beyond the permitted area, between 2000 and 2011. The state had a target of collecting Rs 17,576 crore as penalty by the end of 2017 but could accrue only Rs 8,223 crore, as per Odisha’s Steel and Mines minister Prafulla Mallick.

COAL INDIA SUBSIDIARIES GET POWER TO SET FLOOR PRICE FOR E-AUCTIONS

Coal India BSE -1.23 %'s board has empowered subsidiaries to fix their own floor prices for e-auctions, which is expected to help the monopoly get higher rates.

Earlier, it had fixed a ceiling for floor prices. It was 20% for non-power consumers and 10% for power. "Subsidiaries have also been empowered to fix the periodicity of these e-auctions depending on market forces," a senior Coal India executive told ET.

Western Coalfields, a subsidiary, has been empowered to fix its reserve price on the basis of the cost of production of coal. Many of its mines are underground and have higher costs compared to other mines.

Coal India has told its consumers that the upper cap is being removed immediately.

The executive said subsidiaries are now free to fix any floor price, which could be more than 20% for non-power consumers and 10% for power consumers. If demand for a particular source of coal is very high, Coal India subsidiaries are now free to fix prices that could fetch them additional revenue.

It may help Coal India improve realisations from eauctions because coal supplied through e-auctions is always in demand from various segment of buyers who do not have a steady supply contract with Coal India.

However, it is still cheaper than imports. Also, smaller consumers do not have the wherewithal to import coal. At present, there is a shortage of coal availability in the international market due to rains in Indonesia and rising demand from China. This has helped the company realise better margins from spot e-auctions this year. The company is estimated to have earned a total revenue Rs 12,000 crore till December 2017from e-auctions. It earned around 9,721 crore in the previous corresponding period, an expected 23% rise.

It sold an estimated 70 million tonnes in April-December 2017 through e-auctions, getting an average of 1,600 per tonne. In the year-ago period, it sold 64.71 million tonnes at an average of 1,502 per tonne. "We hope to sell close to 100 million tonnes through eauctions during 2017-18," another Coal India executive said.

The company's average realisations from e-auction rose in tandem with rising international rates. During the second quarter of 2017-18, average realisation was 1,614 per tonne against 1,337 per tonne in the previous corresponding period, which is a 20% rise in realisations. Average realisation in the third quarter of the current fiscal has already crossed 1,650 per tonne and is expected to touch 1,700 per tonne by December 2017 end against 1,500 per tonne in the previous corresponding period, an expected 13.5% rise.

COAL INDIA BOSS SEES CHALLENGING TIMES AHEAD

Coal India BSE -1.23 % Ltd, which is struggling to meet coal production targets, foresees significant competition coming in from the private sector in the future, a top official of the company has said.

"More challenging times are ahead. Soon, mines for commercial exploitation will be offered to the private sector and in the not-too-distant future, private sector production may turn out to be significant," Coal India chairman Gopal Singh said in a closed door video address to employees of all subsidiaries while congratulating them on their promotions.

The company has set a 600 million tonne coal production target for 2017-18. Coal India officers said it was for the first time that any chairman personally interacted with staff to congratulate them on their promotion and listened to problems faced by them first hand.

In his address, Singh highlighted the need to gear up and meet the challenges ahead, sources said.

Singh expressed concern over the rising cost of production for the miner and told his colleagues that in the future, when private players become active in commercial mining, the cost of production will become crucial for business.

He asked the officers to give villagers their due in the mining areas and listen to their concerns.

"The land belongs to the villagers. You must respect them and be polite and attempt to resolve their issues," he said.

At a time when land acquisition is becoming increasingly difficult, such comments may make some difference, a Coal India officer said. Singh also said that he was confident that Coal India's employees will meet the challenges facing them

INDIAN MINERALS COMPANIES CONSIDER ENTERING MINING SERVICES

In view of the Indian government's proposal to implement paradigm shifts in the mining policy regime, several domestic mineral processing companies have started toying with options of entering merchant mining or float arms to offer mine developer operator (MDO) services to new investors.

Several domestic minerals processing companies have expressed an interest in spreading their mining operations beyond captive production, triggered by recent government policy proposals, including the opening up of coal mining for commercial production by independent investors and bringing coking coal production under the administrative control of the Steel Ministry, instead of the Coal Ministry, which currently facilitates coking coal production.

Though the companies are not willing to officially provide details, considering that these changes are still at an embryonic stage, information culled from government and company sources indicates that the country's largest power producer, NTPC Limited; integrated aluminium producer the National Aluminium Company Limited (Nalco); integrated copper refiner Hindustan Copper Limited (HCL); and the country's largest steel producer, government-owned Steel Authority of India Limited (SAIL), have all been chalking out plans to extend their existing mining operations to become mining service providers or MDOs.

In a first move towards such an objective, government-owned companies Nalco, HCL and Mineral Exploration Corporation Limited have already floated a three-way joint venture to take up exploration and exploitation of strategic resources, as well as globally source minerals scarcely available domestically.

Sources say that, since these three companies have extensive experience in exploration and operating their own mining ventures, they are well placed to offer mining services, demand for which is expected to rise with the opening up of the sector for new entrants.

Similarly, the government has floated the idea of shifting coking coal mining from the Coal Ministry to the Steel Ministry for a more integrated development of coking coal assets since steel companies were the primary users of the dry fuel.

In the long term, such a shift in administrative control would aim to push domestic steel companies to enter into coking coal exploration and development instead of relying solely on Coal India Limited (CIL), as is presently the case.

It has been pointed out that, since the cost of coking coal production was almost the same as the landed price of imported coking coal, the domestic miner did not have any incentive to step up investments in production.

However, considering that it is a critical raw material for the heavily import-dependent domestic steel mills, the latter would be a more efficient producer of domestic coking coal.

Under such a scenario, SAIL, with its experience in operating its own captive coking coal blocks and being ranked the second-largest miner in the country, after CIL, the steel producer could leverage its mining operations to extend mining services to steel plants that do not have captive iron-ore or coal mines and, hence, little experience in mining, the sources added.

Along the same lines, NTPC Limited is also planning a separate mining division within the company to undertake its captive coal mining projects, having already bagged ten captive coal blocks that over the years would bring into production an estimated 107-million tons of dry fuel to feed its thermal power plants.

Extending its mining arm to undertake mining projects of other entities across the country could also be an option for the power producer, say sources.

GEMCO KATI

AUSTRALIA COAL MINE BLOW FOR INDIA'S ADANI

Embattled Indian miner Adani's plans for a huge coal project in Australia has been dealt another blow after the government confirmed on Sunday it would not fund a rail link to the facility.

The development of the controversial $16 billion Carmichael mine near the Great Barrier Reef is set to be one of the world's largest. But it has been delayed by several years amid regulatory and legal hurdles. While a lease was granted in 2016, Adani is still seeking to secure funding for the first stage of a A$1 billion (Dh2.9bn) government loan for a vital 189-kilometre rail line linking the mine to a port.

But government frontbencher Karen Andrews said such a loan would not be forthcoming from Canberra amid opposition from the state government. "For there to be money available through Naif [Northern Australia Infrastructure Fund], that will require the support of the Queensland [state] Labour government," Ms Andrews told Sky News Australia. "They are not going to provide that, so the advice that I've been given from the resources minister is that the financing will not proceed."

The Queensland Labour government campaigned against the rail loan last year in state elections. Ms Andrews said she was hopeful the project would still go ahead, adding that the mine "is actually very, very important for employment and jobs in the northern part of Australia".

Several global banks have already said they would avoid the project amid a growing shift away from investing in fossil fuels.

There was no immediate comment from Adani Australia. Adani last year cancelled a conditional A$2bn contract with mining services giant Downer to develop and run the mine, saying it would manage the mine on its own to keep costs down.

The mega mine is opposed by environmentalists, who claim it will harm the World Heritage-list Barrier Reef - already threatened by climate change - off Australia's north-eastern coast.

The Indian conglomerate forecasts it will produce 60 million tonnes of thermal coal a year for export and estimates it will generate 10,000 direct and indirect jobs.

INDIA TO REVIEW COAL BLOCKS IDENTIFIED FOR ALLOCATION

India’s Coal Ministry will undertake a fresh review of 117 coal blocks that were identified in 2014 for development.

A committee, comprising representatives of the Coal Ministry, government-owned miner Coal India Limited and its consultancy arm, has been appointed to “identify coal and lignite blocks for allocation through auction and allotment through the preferential dispensation route”.

Most importantly, the mandate given to the committee empowers it to review and supercede recommendations of the previous committee, which had selected the 117 coal blocks in 2014 for development by government miners and the private sector.

It is possible that the number of assets up for development could be reduced, as the new committee’s mandate includes a review of the basis on which the blocks were selected and to identify blocks that had not been allocated, owing to insignificant reserves, inviolate areas, dense forest areas or an overlap with coalbed methane reserves.

However, it could not be clarified from Ministry officials whether the review will impact the timeline of the government’s plans to throw open commercial coal mining to private miners and whether the auction process will start before the end of the current financial year.

POLISH INTEREST

Meanwhile, in a related development, Polish companies have expressed an interest in participating in commercial coal mining in India.

“There is strong conviction to look at India with more interest by Polish companies if conditions are right,” said Poland Deputy Minister for Foreign Affairs Mark Magierowski who is part of a delegation to a business summit in India this week.

He said that the Indian mining sector had been using Polish technology and equipment extensively and that many Polish companies were looking beyond Europe for market opportunities.

India’s Coal Ministry has set a target of domestic coal production of 1.5-billion tons a year by 2022 of which 500-million tons a year would be coming from private mining ventures.

India’s coal mining industry was nationalised in 1974.

GOVERNMENT TO ALLOT 11 MINES TO COAL INDIA LTD, SAYS PIYUSH GOYAL

CIL has a target to produce 1 billion tonne coal by March 2020, up from around 600 MT projected in the current fiscal.

The government today said it has decided to allot 11 mines to Coal India Ltd (CIL) which will add about 225 million tonnes (MT) to the state-owned firm's annual production capacity by 2022. CIL has a target to produce 1 billion tonne coal by March 2020, up from around 600 MT projected in the current fiscal. "The government has decided to allot 11 coal mines to Coal India," Coal Minister Piyush Goyal told reporters here.

Of the 11 mines, five are deallocated blocks and six are fresh mines, he said. The company had requested the government to allot it additional coal mines to make all its subsidiaries 100 MT capacity units. Eastern Coalfields Ltd (ECL), Bharat Coking Coal Ltd (BCCL) and Western Coalfields Ltd (WCL) do not have adequate reserves of the dry fuel at present. "The allotment of these coal mines to CIL will make its arms 100 million tonnes plus coal producing subsidiaries," Goyal said.

Of the 11 mines, it has been decided to allot three to ECL and four each to BCCL and WCL. A panel headed by former CVC Pratysuh Sinha to review coal blocks auction mechanism is likely to submit its report in six-eight months said an official.

GEMCO KATI

GSI WORKING ON 34 MINERAL EXPLORATION AREAS IN EAST

Kolkata, Jan 18 (PTI) The Geological Survey of India (GSI) today said it was working on 34 project areas for search of minerals in the countrys eastern region which is rich in mineral deposit.

"Work on preliminary survey work in some 34 projects areas is going on for various minerals in the eastern states of the country. We have handed over a few mineral blocks for detailed exploration to states like Odisha and Jharkhand for iron-ore and Bauxite," GSI Additional Director General SR Kisku said here.

The GSI has been operating in eastern states such as Bihar, Jharkhand, Odisha, West Bengal and Chattisgarh, Kisku said at the ICC organised India Mine Tech 2018.

Former Coal India chairman PS Bhattacharyya said coal mining is facing challenges from policy perspective and economic perspective, but despite that it is not possible to eradicate coal from the system in near future though renewables will remain a threat. PTI BSM NN

UNHAPPY WITH CBI INVESTIGATION, KARNATAKA HANDS OVER 76 ILLEGAL MINING CASES TO SIT

The illegal mining cases pertains to that which happened primarily in Bellary but also a few neighbouring districts like Tumkur and Chitradurga between 2006 and 2010, when the state was ruled by the JDS and the BJP.

Adani Enterprises, Baldota Group's MSPL and Goa-based Salgaocar Mining Industries are among the 76 companies/ individuals who will face a fresh probe by a Special Investigation Team on illegal mining and export of iron ore from Karnataka.

The Karnataka cabinet on Wednesday approved the handing over of 76 fresh cases to the SIT, unhappy with the investigation of the last four years by the Central Bureau of Investigation.

The illegal mining cases pertains to that which happened primarily in Bellary but also a few neighbouring districts like Tumkur and Chitradurga between 2006 and 2010, when the state was ruled by the JDS and the BJP.

The decision follows a recommendation by a state cabinet sub-committee that was especially formed to look into the matter. This comes after the CBI filed closure reports in most of the cases handed to it, citing lack of evidence.

The cases had been referred to the CBI after a Lokayukta report had indicted ministers in the Karnataka government for their role in illegal mining in 2010 – even the then chief minister BS Yeddyurappa was asked to step down by his own party the BJP after the scam.

The Congress government that rode to power in 2013 on this issue has been watching with some anxiety as the CBI sent reports of lack of evidence in one case after another. Finally, two weeks back it acted on its sub-committee’s recommendation to set up an SIT to reinvestigate these cases – and 26 cases were handed to the SIT.

Now, an additional 76 cases have been given to the SIT and it has been given a year's time to prosecute all those involved in illegal mining. Interestingly, among the companies listed for the current prove is VSL Mining Co, a company in which Santosh Lad, a minister in the Congress government, and his brother Anil Lad, also a Congress MLA, have interest in.

Government reports estimate that about 1,028 shipments of iron ore were shipped out of the Mangalore sea port alone in these four years – 2, 85, 98,975.6 metric tonnes of ore having found their way out of the state, a significant chunk of which is expected to have been done without permit.

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