

**GOVERNMENT OF INDIA
MINES
LOK SABHA**

STARRED QUESTION NO:137
ANSWERED ON:04.03.2011
LARGE AREA PROSPECTING LICENCES
Singh Dr. Raghuvansh Prasad

Will the Minister of MINES be pleased to state:

- (a) the salient features of the National Mineral Policy (NMP);
- (b) whether the Government proposes to grant licences under the Large Area Prospecting Licences (LAPLs) for mineral deposits on First-cum-First Served Basis under NMP;
- (c) whether some of the mineral bearing States have expressed their opposition to introduction of LAPLs;
- (d) if so, the reaction of the Government thereto;
- (e) whether competitive bidding is not considered as one of the option for grant of LAPL;
- (f) if so, the reasons therefor; and
- (g) the details of areas where LAPL granted, State-wise?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) FOR MINES (SHRI DINSHA PATEL)

(a) to (g) : A statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO LOK SABHA STARRED QUESTION NO. 137 FOR 4.3.2011 REGARDING LARGE AREA PROSPECTING LICENCES BY DR. RAGHUVANSH PRASAD SINGH.

(a) : Salient features of the National Mineral Policy, 2008, are given in Annexure. The text of the policy, which was tabled in Rajya Sabha on 16th April 2008 and in the Lok Sabha on 20th March 2008 is available on the website of the Ministry of Mines (<http://mines.nic.in>).

(b) to (f) : The total area currently under lease for major minerals is 4914.4 sq km. mostly of surfacial deposits, such as Limestone, Bauxite and Iron ore, whereas the Obvious Geological Potential (OGP) area for exploration is nearly 5,70,000 sq. km. in most of which minerals are likely to be also available at depth. The National Mineral Policy, 2008, recognizes the need to explore for deep-seated and concealed deposits and states that regional and detailed exploration needs to be carried out systematically in the entire geologically conducive mineral bearing area of the country using state-of-the-art technique in a time bound manner. This requires exploration at a depth of 50 metres or more below the surface based on integrated geological studies and theoretical concepts developed around the country's cratonic blocks of West Dharwar, East Dharwar, Bastar, Singhbhum and Bundelkhand, etc. where major mineral resources are likely to be located. Advanced geophysics particularly gravity and magnetic surveys, using aircraft and helicopters mounted with very sophisticated, sensitive and expensive sensors is used, which also requires complex proprietary software to analyse the huge volume of raw data generated along the flight path. This is a high-cost and high-risk specialized enterprise, which can only be done using venture capital. Unless it is done, the deeper deposits cannot be located and country will continue to suffer from a shortage of these mineral resources, due to failure to locate them.

Recognising this fact, the National Mineral Policy, 2008 has recommended a special exploration licence called the Large Area Prospecting Licence (LAPL) designed to attract large investments and high technology. This licence will only be available to search for deposits of base metals, like copper, and noble metals like gold etc. which occur in thin veins and lodes or in deep stratabound structures and need high cost geophysics and advanced computer modeling software for location. The exploration is generally done initially in large areas (typically upto 5000 sq.km.) through rapid airborne surveys and 'anomalies' in the nature of high or low magnetic or gravity values are analysed to do general exploration including open spaced drilling in a few tens of square kilometers for further geological and geophysical evaluation. This in turn can narrow down the search area to detailed exploration of a few square kilometers for closed spaced drilling to intersect the veins and lodes at depth at various angles to precisely estimate the size and disposition of the ore body. Since a LAPL can be only granted for deep-seated deposits for multiple minerals (other than iron ore, bauxite, limestone etc) and primarily needs to commence from regional scale exploration over a large area, a bid value cannot be estimated at the start of the enterprise as the nature of deposit in terms of the minerals, their quantity, technology of the extraction etc. will not be known at the time of grant of concession. For this reason competitive bidding has not been recommended for LAPL, and it is proposed to grant this concession on the basis of chronological priority of the applicants, who would be required to furnish

exploration data to the State Governments and mandatorily surrender a portion of the explored area to the State Government each year over the period of six years (which will be available to other applicants). LAPL as a concession is thus not an asset with a value; rather it is a method of locating an asset of value. However the licence fee for LAPL is likely to be very high.

A few mineral bearing State Governments have sent suggestions on the new legislation being framed pursuant to the National Mineral Policy, 2008. It is not possible to indicate the reaction of the Union Government till the draft legislation is finalized.

(g): Does not arise in view of the fact that LAPL as a concession instrument is still under consideration of the Government, and will need to be included in the legislative framework.

ANNEXURE REFERRED IN REPLY TO LOK SABHA STARRED QUESTION 137 FOR ANSWER ON 4.3.2011 REGARDING LARGE AREA PROSPECTING LICENCES ASKED BY DR. RAGHUVANSH PRASAD SINGH SALIENT FEATURES OF NATIONAL MINERAL POLICY, 2008

The salient features of the National Mineral Policy 2008 (NMP 2008) are as under:

(i) To exploit the country's geological potential it is important that scientific prospecting is carried out in search of its rich mineral wealth. It will be ensured that Regional and Detailed Explorations are carried out systematically in the entire geologically conducive mineral bearing area of the country using state-of-the-art techniques and in a time bound manner. The Geological Survey of India (GSI) will be strengthened to the maximum extent possible. However, the task of Regional Exploration being mammoth and the efforts of the GSI being constrained by manpower, resources and technology, private sector investment in the risk bearing areas of survey, exploration and prospecting will be encouraged.

(ii) The regulatory environment will be improved to make it more conducive to investment and technology flows into prospecting and mining. Capital market structures will be developed to attract risk investment into survey and prospecting. Security of tenure will be assured along with transparency in the allocation of concessions. A new concession instrument (LAPL) will be introduced and terms and conditions of existing instruments will be liberalised where needed. Simultaneously, the regulatory environment will be tightened to ensure adherence to commitments in respect of expenditure, data filing and so on. Transparency and fair play in the allocation of ore bodies for mining will be ensured. Eligibility conditions will be strictly enforced. Procedures for grant of concessions will be streamlined so as to minimize delays.

(iii) The development of a proper inventory of resources and reserves, a mining tenement registry and a mineral atlas will be given priority. Enforcement of mining plans for adoption of proper mining methods and optimum utilisation of minerals will be ensured. For this purpose also the Geological Survey of India and the India Bureau of Mines will be strengthened with man power, equipment and skill sets upgraded to the level of state of the art.

(iv) A significant part of the nation's known reserves of some important minerals are in areas which are under forest cover. Further, mining activity is an intervention in the environment and has the potential to disturb the ecological balance of an area. However, the needs of economic development make the extraction of the nation's mineral resources an important priority. A framework of sustainable development will be designed to take care of bio diversity issues and to ensure that mining activity takes place along with suitable measures for restoration of the ecological balance. Special care will be taken to protect the interest of host and indigenous (tribal) populations on the basis of international best practice. Project affected persons will be protected through comprehensive relief and rehabilitation packages in line with the National Rehabilitation and Resettlement(R&R) Policy.

(v) As the country develops and industry grows, assured availability and proximity of mineral resources will play an important role in giving a competitive edge to Indian industry. In view of the multiplier effect of minerals processed into metals on downstream industrialisation value addition will be actively encouraged. However, such value addition will go hand in hand with the growth of the mineral sector as a stand alone industrial activity. While, appropriate linkages between exploitation of minerals and their end use including the development of industry based on the minerals will be supported wherever feasible, a downward curve in an industrial sector using a particular mineral within the country will not be allowed to effect the growth of mining activity for that mineral. Hence employment and tertiary sector spin offs from both value addition as well as from mining will be promoted so as to maximise the contribution of the mineral sector to the country's gross domestic product.

(vi) 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 using the mineral. Innovative structures will be devised for developing and financing the infrastructure needs of the mining sector. While assistance through viability gap funding will be extended where required the principle of user charges and Private Public Participation will be the basis on which mining infrastructure will be built.

(vii) India is a federal structure with a single economic space. Nevertheless, the legitimate fiscal interests of states which are mineral rich need to be protected. The revenues from minerals will be rationalised to ensure that the mineral bearing states get a fair share of the value of the minerals extracted from their grounds. New sources of revenue will be developed for the states and state agencies involved in mineral sector development and regulation will be encouraged to modernise in the areas of prospecting as well as regulation.

(viii) To promote the use of state of the art exploration techniques, scientific mining and optimal use of minerals through ore dressing and beneficiation technologies a special impetus will be given to research and development and to the establishment of appropriate educational and training facilities for human resource development to meet the manpower requirements of the mineral industry. A comprehensive institutional framework for R & D and Training will be developed.