

## LS passes MMDR amendment Bill

Lok Sabha passed the Mines and Minerals (Development and Regulation) Amendment Bill, 2021.

Provisions:

- The Bill amends the MMDR Act, 1957, which provides a framework for the regulation of the mining sector in India.
- The Bill removes the distinction between captive and non-captive mines and seeks to introduce an index-based mechanism by developing a National Mineral Index (NMI) for statutory payments.
- The National Mineral Exploration Trust (NMET) would see the functioning of the sector, and will be made an autonomous body.
- The bill shall remove restrictions of end-use for future auctions of mineral mining rights, allow operators of existing captive mines to sell up to 50 per cent of minerals extracted in a year.

- It empowers the central government to conduct an auction of mines if state governments do not conduct auctions in a timely manner.

Details:

- The Coal and Mines Minister stated that the amendments will create jobs and allow private players with enhanced technology into the mining sector.

- The Minister said that the mining sector right now contributes 1.75% to the country's GDP but the proposed reforms will raise the contribution to 2.5% as it seeks to make a large number of mines available for auctions by resolving legacy issues.

- He said that the amendment will lead to an increase in the production level of minerals and generate employment, increase revenues and ensure private participation in the exploration and mining activities.

The Mines and Minerals (Regulation and Development) Act, 1957

- It is an Act of the Parliament of India enacted to regulate the mining sector in India.

- It was amended in 2015 and 2016.
- This act forms the basic framework of mining regulation in India.
- This act is applicable to all minerals except minor minerals and atomic minerals.
  - Mining minor minerals comes under the purview of state governments.
- It details the process and conditions for acquiring a mining or prospecting licence in India.

Note:

- India produces 95 minerals and has the same potential as South Africa and Australia but the mining sector was under-explored and India still had to import minerals like gold and coal.
- The contribution of the mining sector to the GDP is only 1.75 per cent.
- One per cent growth in the mining sector generates almost 1 lakh (jobs) in direct employment and 5 lakh (jobs) in indirect employment

## \* Mining in India equals selling family gold

### - Principle of sustainability

↳ one cannot compromise the ability of future generations to meet present needs

### - Threats to sustainability

- Climate Change
- High consumption levels

### - Principle to Intergenerational Equity

↳ to ensure that future generations inherit at least as much as the present generation did.

### - India's National Mineral Policy 2019

↳ declares that natural resources, including minerals are a shared inheritance &

↳ state is the trustee

### - Sale of this shared inheritance

↳ extraction of oil, gas & minerals is a part of the sale

↳ Govts everywhere treat the mineral sale proceeds as revenue/income.

↳ A crucial error → hides the real transaction

## - An economics of loot

- selling minerals at prices significantly lower than what they are worth
- Annual reports of Vedanta
  - ↳ over 8 years (2004-12)
  - ↳ Goa lost more than 95% of the value of its minerals
- Any loss for Govt
  - ↳ is a hidden per head tax
  - ↳ makes few extractors richer
  - ↳ inequality grows
- Such economics is further driven by
  - ↳ lobbying, political donations & corruptions
- Pennies received by Govt
  - ↳ is treated as "revenue"
  - ↳ leaves neither the mineral nor their value for future generations
- This is surely not sustainable
- More mining means more losses

— How to manage it?

- Requires moral & legal safeguards against such a loot.
- Govt Accounting Standards Advisory Board needs to correct the error in accounting & reporting for mineral wealth.
- Explicit objective must be to achieve zero loss in value.
  - ↳ State as trustee must capture full economic rent.
- Like Norway, entire mineral sale proceeds
  - ↳ must be saved in a Future Generation Fund, to be further invested through the National Pension Scheme framework.
- SC in 2014 (Goa Foundation vs. Uo India & Others)
  - ↳ ordered creation of a Goa Iron Ore Permanent Fund
  - ↳ already has a corpus of ₹ 500 crore
- Incomes from such funds
  - ↳ to be distributed as a citizens' dividend.

- How such a fund makes mining sustainable?

- Capital maintained in funds

↓  
Savings rate ↑

↓  
More long term domestic capital available

↓  
Diversifies risk & improves returns

- Dividends is in effect a Universal Basic Income

- Lowers Inequality

↓  
leads to higher economic performance

- Public investment & tax administration becomes more effective & efficient  
↳ as budgets don't have access to easy mining money.

- Reduction in losses limits corruption, crony capitalism & inequality.