

M.VI-16/7/2024-Mines VI

Government of India

Ministry of Mines

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Shastri Bhawan, Dr. Rajendra Prasad Road

New Delhi-110 001

Dated:- 31st December, 2024

### **NOTICE FOR PUBLIC CONSULTATION**

**Subject: Proposal for amendment of the Mines and Minerals (Development and Regulation) Act, 1957 - reg.**

The Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act) is enacted under Entry 54 of the List-I (Union List) of the Seventh Schedule of the Constitution of India to provide for development and regulation of mines and minerals under the control of the Union. The Act being a part of the policy regulating economic development of the country, has undergone several amendments over the years.

2. The Act was lastly amended in 2023 for increasing exploration and mining of critical and deep-seated minerals that are essential for economic development and national security in the country. Hon'ble Union Minister of Finance in the Union Budget for 2024-25, *inter alia*, announced to set up the National Critical Mineral Mission for enhancing domestic production and recycling of critical minerals, and overseas acquisition of critical mineral assets. Certain amendments in the Act are required to supplement the objectives of National Critical Mineral Mission and ensure funding of its implementation.

3. Further, NITI Aayog constituted an Inter-Ministerial Committee on mines and minerals sector ('IMC') under the chairmanship of Dr. V. K. Saraswat, Member NITI Aayog on 11.03.2024 for examination of certain issues which are required to be addressed to promote scientific and optimal mining of mineral resources, address the concerns of small lease holders, to promote 'ease of doing business' and to fully harness the potential of the mining sector. An interim report of the IMC suggested certain amendments in the MMDR Act.

4. In view of the above developments, the Ministry of Mines is proposing to bring necessary amendment in the MMDR Act. Accordingly, a brief note on the proposals under consideration for amendment in the MMDR Act is enclosed herewith as **Annexure** for comments/ suggestions from the general public, Governments of States and Union Territories, mining industry stakeholders, industry associations, and other persons and entities concerned..

5. In view of the above, it is requested that comments/ suggestions on the above issues may be sent **on or before 30.01.2025**.

6. The comments/suggestions may be sent by e-mail in MS-Office Word file to the following ID:

[jspolicy-mines@gov.in](mailto:jspolicy-mines@gov.in)

The subject of the e-mail should be "Comments/ suggestions on the proposed amendments to the MMDR Act, 1957".

7. Alternatively, comments/suggestions may also be sent by post to the following address:

Shri Mustaq Ahmad, Director  
Ministry of Mines  
Room No 313,  
D-Wing Shastri Bhawan,  
Dr Rajendra Prasad Road  
New Delhi -110 001

The envelope may kindly be superscribed on the top with "Comments/ suggestions on the proposed amendments to the MMDR Act, 1957".

Encl.: As above.

Yours faithfully,



**(Mustaq Ahmad)**  
Director

## Annexure

### Note for consultation on proposals to make amendments in the MMDR Act, 1957

#### **1. The proposal may be divided in to following major heads:**

##### **1.1. Viable recovery of associated critical minerals**

1.1.1. Several critical and strategic minerals are found in small quantities in association with other minerals. Many such minerals can be obtained as by-products in refining of ore of other minerals or in the tailings of other minerals. For example, Antimony, Bismuth, Cobalt, Germanium, Indium, Molybdenum, Selenium, Rhenium, Cadmium, etc. can be extracted while refining base metals such as Lead, Zinc and Copper. The miners are required to make additional capital investments and incur additional cost of recovery of critical minerals associated with primary bulk minerals.

1.1.2. Under the MMDR Act and the rules made thereunder, a mining lease is granted for mining of specific minerals. Under the prevailing rules, new minerals discovered in the leased area of auctioned mines can be included in the mining lease and disposed on payment of same auction premium as was quoted for the primary mineral(s). Application of same auction premium on all minerals in a mine results in the miners not exploiting associated critical minerals found in the lease area, as the auction premium quoted for primary mineral such as Manganese, Chromite, Bauxite, Iron Ore, etc. may not be viable for economic extraction and processing of associated critical mineral(s).

1.1.3. For non-auctioned mining leases, the rules provide that the State Government may exercise its right to pre-emption with respect to such associated mineral and pay cost of production for such mineral to the lessee. The lessee cannot get the associated mineral included in its lease. In practice, associated minerals are not being reported or mined by the non-auctioned miners or being taken over by the State Governments.

1.1.4. Absence of a provision for inclusion of associated mineral in non-auctioned mining lease and also payment of high premium by auctioned mines for associated minerals leads to sub-optimal mining or non-reporting of the presence of such mineral by the lessee which results in import of the important critical minerals. There is a need to rationalise the royalty rates to encourage miners to extract or recover associated critical minerals.

1.1.5. Based on the recommendation of recommendations of IMC, it is proposed to insert a new section 15B in the Act to provide for the following:



(i) Allow inclusion of any other mineral in the mining lease on payment of an additional amount specified in new Eighth Schedule of the Act. The additional amount may be kept reasonable for allowing viable recovery of critical minerals as follows:

Type of mining lease	Additional amount in case the included mineral is a mineral specified in Part-D of the First Schedule or Seventh Schedule to the Act (i.e. critical, strategic and deep-seated minerals)	Additional amount in case the included mineral is not a mineral specified in Part-D of the First Schedule or Seventh Schedule to the Act
Auctioned	0.5 times of the royalty on the included mineral	Auction premium percentage as quoted for the principal mineral shall be applicable in case of included mineral
Non-auctioned	0.5 times of the royalty on included mineral	Equal to royalty on the included mineral

**Note:** In case of auctioned mines, no separate auction premium shall be payable in respect of such included mineral in addition to the additional amount.

(ii) The above provision shall apply for inclusion of any minor mineral in a lease granted in respect of major mineral also.

(iii) Inclusion of any major mineral in a lease granted in respect of a minor mineral shall be made in accordance with the conditions as may be prescribed by the Central Government in the rules.

## **1.2. Inclusion of contiguous area in a lease for optimal and scientific mining of deep-seated minerals**

1.2.1. Deep-seated mineral deposits such as Copper, Gold, Zinc, etc. are formed in form of veins and can generally be extracted through underground mining only. Due to their poor surface manifestation, the exploration of these deposits from surface is difficult and is mostly possible from the existing underground mining operations. Also, mining of contiguous veins of mineral deposit extending beyond the existing leased area through a separate tunnel or shaft from the surface may be challenging and economically unviable.

1.2.2. As per the extant law, after the grant of composite license or mining lease, there is no provision to include additional area into the mineral concession even in cases where the ore body is later found to extend beyond the leased area. In such cases, State Governments have to allocate these

contiguous mineralized area afresh through auction. Thus, absence of a provision for inclusion of additional area for mining deep seated mineral deposits leads to locking such deposits and results in sub-optimal mining.

1.2.3. Accordingly, based on the recommendations of the IMC, it is proposed to insert a new section 6A in the Act to provide for the following:

(i) A lessee of deep-seated mineral, may apply for a one-time extension of his existing leased area to include in it a contiguous area not exceeding more than ten per cent. of the existing leased area. Deep seated minerals shall mean such minerals which occur at a depth of more than three hundred metres from the surface of land with poor surface manifestations.

(ii) Upon receipt of such application, the State Government may extend the existing leased area to include in it the contiguous area subject to the terms and conditions and additional payment as may be prescribed by the Central Government.

(iii) The rules may provide additional payment for the mineral produced from such extended area equal to 10% of the auction premium for auctioned mines and equal to royalty payable for non-auctioned mines.

### **1.3. Widening the scope of National Mineral Exploration Trust**

1.3.1. The National Mineral Exploration Trust (NMET) was established through insertion of section 9C in the MMDR Act in 2015 with an objective to have a dedicated fund for encouraging exploration in the country. Every lessee is mandated to pay a sum equivalent to two per cent. of royalty to the Trust. Since its establishment, sum of more than ₹6038 crore has been collected and projects worth more than ₹4000 crore has been sanctioned by the NMET. Every year around ₹950 crore accrues to the trust and the collection will increasing operationalisation of mines.

1.3.2. Considering the importance of critical minerals in economic development and national security, Union Minister of Finance, in the Union Budget for 2024-25, *inter alia*, announced to set up the National Critical Mineral Mission for enhancing domestic production and recycling of critical minerals, and overseas acquisition of critical mineral assets.

1.3.3. The Mission has identified various pathways for developing critical minerals value chains, each of which will require financial support. The Ministry of Mines through Geological Survey of India, NMET and science and technology programmes is already taking action towards some of the activities proposed for the Mission. However, substantial part of additional requirements



of funds to carry out the activities envisaged under the Mission is proposed to be met through NMET fund. This will require amendment in Section 9C of the MMDR Act to widen the scope of Trust for funding development of mines and minerals in addition to funding exploration activities.

1.3.4. Similarly, territorial domain of the Trust would required to be expanded to outside India for funding exploration, acquisition and development of overseas critical mineral assets in the national interest. Limited geological availability of certain critical minerals in the country such as Lithium, Nickel, Cobalt, PGE, etc. make it imperative to secure these resources from other countries. Thus, Trust funds are required to facilitate such overseas activities.

1.3.5. The Trust funds are also required to be utilised for exploration of minerals in the offshore areas of India, which contains vast untapped resources. Although, Offshore Areas Mineral Trust has been established after amendment in 2013 of the Offshore Areas Mineral (Development and Regulation) Act, 2002, contribution to the Offshore Trust will start only after production of minerals start from the offshore areas which will take 5 to 10 years.

1.3.6. In view of the above, name of the Trust may be changed to National Mineral Exploration and Development Trust to reflect its enlarged objectives. Also, in view of the widening the scope of the Trust, it is proposed to allow some flexibility to the Government to make marginal increase in the contribution of the lessees to the Trust with a cap on the total contribution.

1.3.7. Accordingly, it is proposed to amendment section 9C of the MMDR Act for the following:

(i) Widening the scope and territorial domain of the NMET to use of the funds within India, including the offshore areas, and outside India for the purposes of exploration and development of mines and minerals.

(ii) Renaming the Trust as National Mineral Exploration and Development Trust.

(iii) Empower the Central Government to prescribe the amount of payment to the trust by the lessees, subject to maximum ten per cent. of the royalty.

#### **1.4. Resolving the issues for enhancing production of Limestone, Laterite and Dolomite**

1.4.1. The classification of mineral Limestone into major and minor mineral is based on its end use. As per notifications dated 01.06.1958, 12.09.1961 and 23.08.1989, Limestone is a minor mineral only when "used in kilns for

manufacture of lime used as building material". Otherwise, it is a major mineral. Presently, use of limestone in making lime has significantly reduced and most of limestone is used in cement manufacturing and in chemical industries, smelters, fertilizer unit, sugar factory, etc. Accordingly, it is in the interest of mineral development to remove the classification of Limestone as minor mineral based on its end use through a notification.

1.4.2. Many States allow grant of mining leases of minor minerals, including minor mineral Limestone, to the owner of the land without following the process of auction. Considering that Limestone is widely available in many parts of the country, and given its use predominant in cement industry, there appears compelling reason to classify limestone as major mineral. However, once Limestone is brought out of the list of minor minerals, the system of granting leases of small areas to landowners without auction will not be permissible under the provisions of the Act applicable to major minerals. Such situation may not be in the interest of rural entrepreneurs and small-scale miners holding small areas of land. Accordingly, the IMC recommended for grant of mining lease in respect of Limestone to small land owners without auction.

1.4.3. The IMC also recommended to remove minerals Laterite and Dolomite from the list of minor minerals. Laterite is mostly found in association with Bauxite or Aluminous Laterite which are major minerals and sometime it becomes difficult to classify a mineral deposit as minor or major mineral deposit due to close association of bauxite and Laterite. Dolomite is found in association with Limestone and other major minerals such as Iron Ore, Magnesite, Baryte, Fluorite, Pyrite, etc. The IMC also recommended that the provision for grant of mining lease to small land owners without auction, as proposed for Limestone, may also be made applicable to Laterite and Dolomite upon their removal from the list of minor minerals. Upon their removal from the list of minor minerals, lease period and other conditions of the existing leases would be regulated in accordance with the rules applicable to major minerals.

1.4.4. Accordingly, based on the recommendations of the IMC, it is proposed to: (i) remove the mineral Limestone, Laterite and Dolomite from the list of minor minerals through a notification; and  
(ii) insert a new section 11E in the Act to provide that upon application made by the owner of a land bearing Limestone, Laterite or Dolomite measuring not more than four hectares, the State Government may grant a composite



licence or a mining lease in respect of such mineral bearing land to the owner in such manner as may be prescribed by the Central Government, subject to the following conditions, namely:—

- (a) Lease shall be granted only to a natural person or joint owners of land where all the owners are natural person.
- (b) The land-owner shall, in addition to the royalty and other payments specified under this Act and the rules made thereunder, make such additional payment to the State Government as may be prescribed by the Central Government. Initially, additional payment of 25 per cent of average sale price of Limestone may be prescribed in the rules.
- (c) One person or family cannot have more than one mineral concession under this section.

### **1.5. Legacy stock of minerals that cannot be used captively**

1.5.1. Through amendment in 2021, a new provision [section 8A(7A)] was inserted in the Act to allow the captive lessee to sell up to fifty per cent. of the total mineral produced in a year after meeting the requirement of captive end use plant and on payment of an additional amount specified in the Sixth Schedule to the Act. However, inputs have been received from the industry and State Governments that in certain cases more than fifty per cent of mineral produced is not usable in the captive end use plant.

1.5.2. There are number of captive mines across the country where huge dumps of minerals have been accumulated over time which are not usable in captive plants by the miners due its low grade or unsuitability for the plants. Accumulation of these stock in the mining area is also a safety and environmental hazard. Additionally, the space of smaller mines gets locked in storing the dumps and if freed this space can be used for mining operations. Therefore, there is a need to allow the lessees to sell these legacy stocks in market. The provision will facilitate bringing more mineral in the market.

1.5.3. Accordingly, it is proposed to insert a third proviso in section 8A(7A) to empower the State Government to permit sale of dumps stacked in the leased area on payment of additional amount specified in the Sixth Schedule in addition to the quantity of mineral allowed to be sold under said section 8A(7A) (i.e. above fifty per cent. limit).

## **2. JUSTIFICATION**

2.1. Role of critical and strategic minerals like Lithium, Graphite, Tungsten,



Cobalt, Rare Earth Elements, Gallium, etc. is crucial in meeting the commitment of India towards achieving net zero targets. Major global economies such as the United States, the European Union, Japan, Canada, Australia, and China, have already taken strategic measures to secure their critical mineral supply chains. There is a need to pursue all the available avenues to prioritize domestic production of critical minerals as well as secure their supply from overseas.

**2.2.** The proposed amendments to provide simpler regime for inclusion of newly discovered mineral in the lease and inclusion of contiguous area in the lease will not only promote ease of doing business in the sector but will enable increasing the production of critical, strategic and deep-seated minerals. Present regulatory regime, at times, leads to locking of mineral resources leading to sub-optimal mining. Proposal to allow inclusion of associated minerals in both, auctioned and non-auctioned mining leases, with rationalised additional payment, will encourage the lessees to detect and declare associated critical minerals in their lease area. Similarly, lessee of deep-seated minerals would be able to tap contiguous area to undertake scientific mining. These reforms will result in increase in availability of these minerals, which are found in small quantity and are difficult to mine and process. At the same time, the State Government would also benefit from the additional payments and increase in production.

**2.3.** The proposed expansion of the scope and territorial domain of NMET will supplement the Government's focus on securing its critical mineral supply chain, both through domestic sourcing and the acquisition of critical mineral assets abroad. The funds accrued to the Trust would enable the Government to achieve the targets envisaged under the National Critical Mineral Mission.

**2.4.** The proposals related Limestone will remove the complications created due to its classification as major and minor mineral based on its end use. At the same time the interest of rural entrepreneurs and small-scale miners will be protected by providing them opportunity to utilize their own resources without fear of losing in auction by competing with the large companies. Provision of empowering the State Government to permit sale of dumps stacked in captive leases would facilitate the miners in their mine planning and operations, increase safety in mine workings, bring more minerals in the market and provide additional revenue to the States.

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