

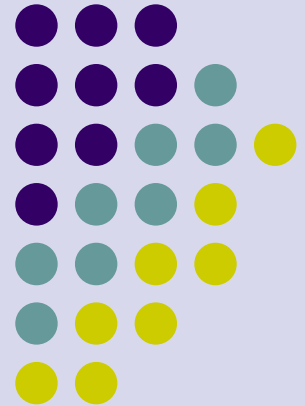
Responsible Mining-the Indian case

Sustainability Summit: Asia 2007

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The Energy and Resources Institute

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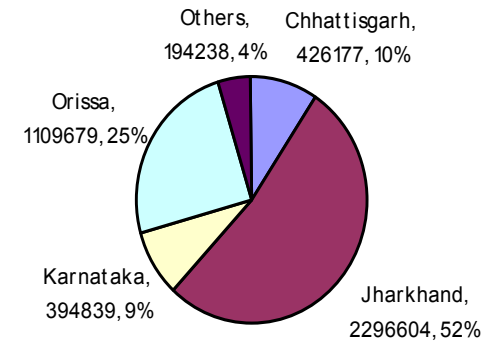
Mining in India

Mining contributes about 2.5% to GDP but its share is much higher in some states

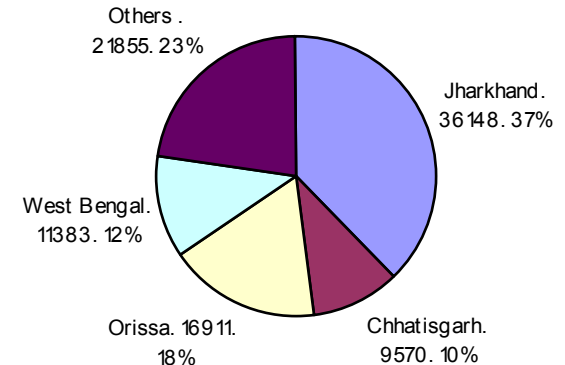
The Eastern States are the richest in mineral wealth; But also among the poorest states in India.

The states of Chhatisgarh, Jharkhand and Orissa, together account for 60% of India's bauxite reserves, 70% of coal reserves and 56% of iron ore; strong overlap of resources with forests and indigenous populations

Proved iron ore reserves (Th tonnes)-2000

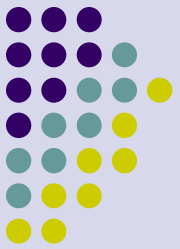


Proved coal reserves (MT)-2006

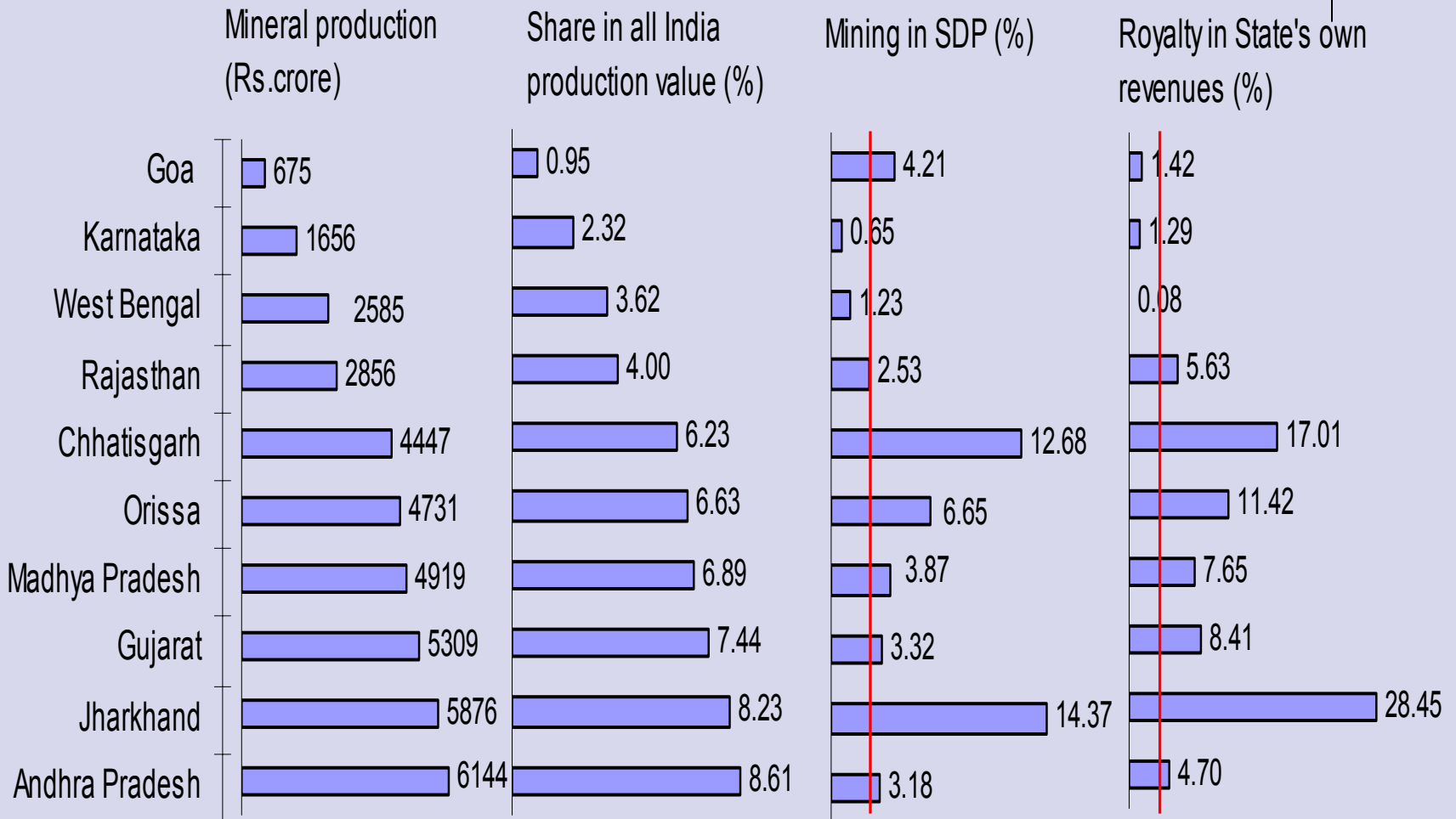


Sources: Coal- MoCM (2006), Iron ore- IBM (2005)

Economic Significance

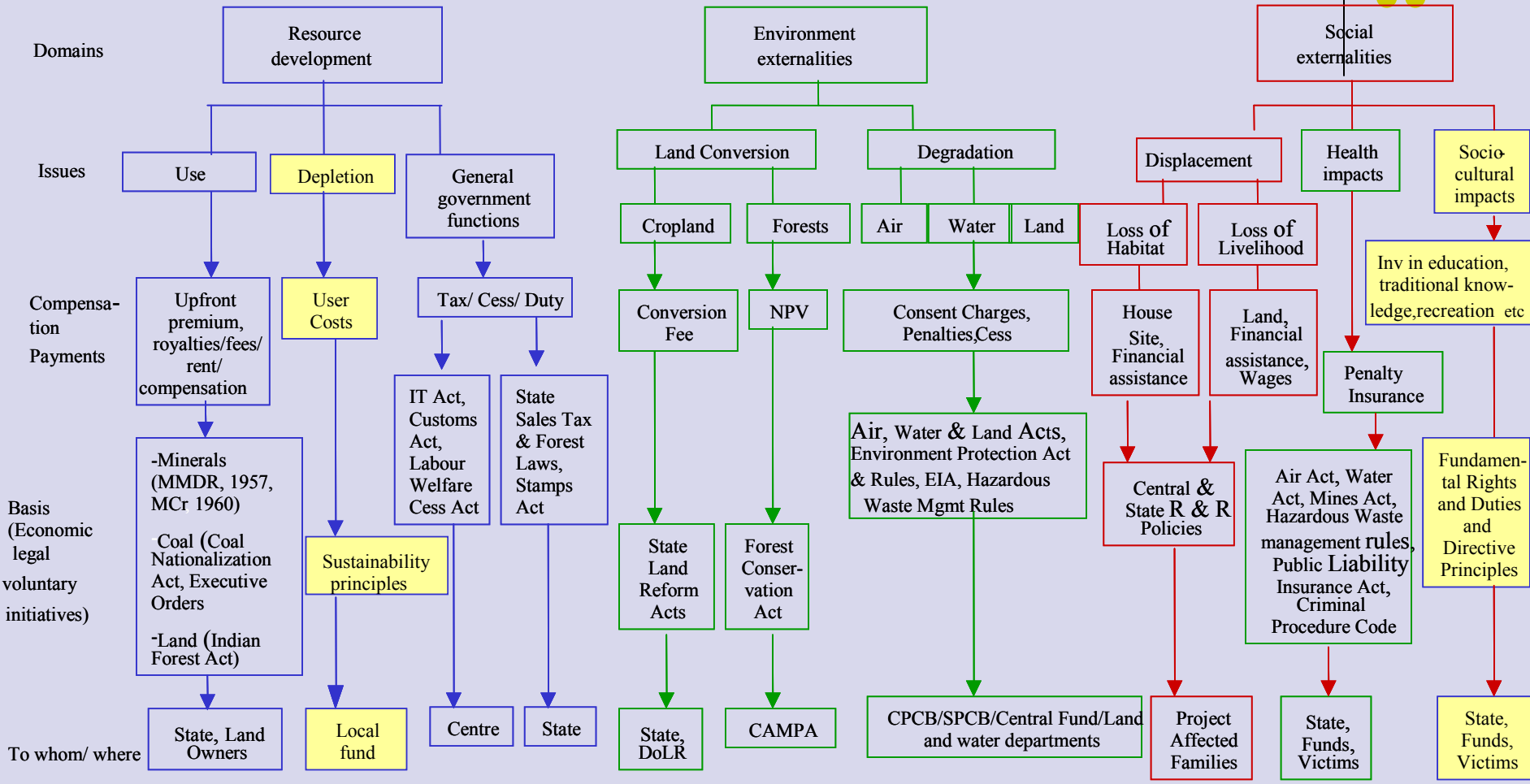
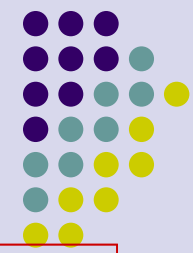


some indicators for 2003/04



Source: TERI, 2007, Study on Compensation to resource bearing states, (Minerals and Coal) For the ISC, April

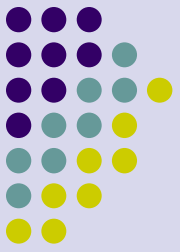
Revenue sharing & Compensation payments



Source: TERI, 2007, Study on Compensation to resource bearing states, (Minerals and Coal) For the ISC, April

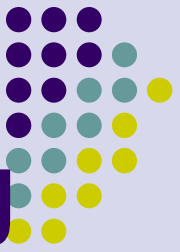


A regime to share value and compensate exists, but



- Unclear how adequately and fairly issues are addressed; and if payments reach those it should
- Does not compensate for resource depletion
- Does not address socio-cultural impacts
- Does not create a gain/benefit for those who have contributed in terms of lost livelihoods
- Compensation payments for land are only made for damage created or for losses incurred; do not create a benefit.
- Unclear how mineral revenues are managed

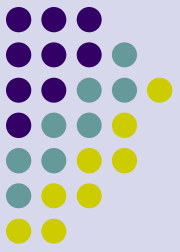
Indian mining has some shining lights, but there are also many inconvenient facts



Some Examples: river pollution, abandoned mines, loss of forests, complaints of human rights infringements, water shortages, and poor environmental health in project regions.

The difficulty of accessing compensation for project affected people, or relocation that is not compatible with original lifestyles.

Poor environmental and social outcomes suggest that there is inadequate oversight by regulatory bodies at various levels of government and poor enforcement of the laws



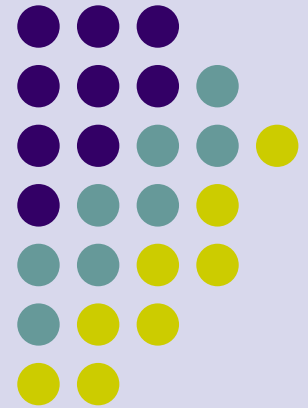
The practice of mining in India is leading to an erosion of trust

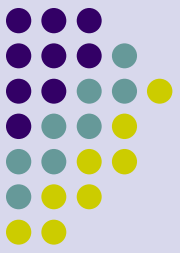
linked not only to company actions, but also to government non-actions

Evident in a decreasing social license to operate, increased militancy and anti-mining protests in some states, and difficulties in starting new mines

Responsible Mining

not just about sharing
value,
but establishing a
domain of trust

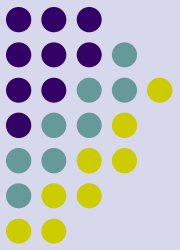




Trust exists if there is

- transparency and accountability in company actions and in methods of compensation payments
- a genuine addressing of mine related environmental and social problems
- consistency in actions
- no sense of collusion between companies and government bodies in matters that work to the detriment of local people
- a feeling that the community has a stake in the resource, & not just as obstacles that need to be 'overcome' in a race for it
- rule making and enforcement

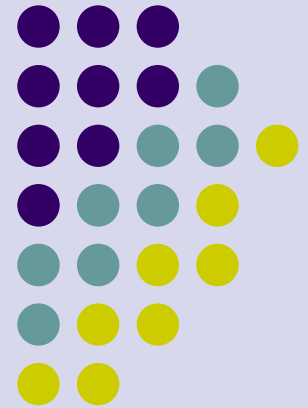
Options for Sharing Value



- Sharing royalty with local people – State Governments
- Greater shares in economic rent for the community through payments to a Foundation-Companies
- Compensating for land beyond just replacement value –Companies
- Sharing benefits with project affected people-Companies

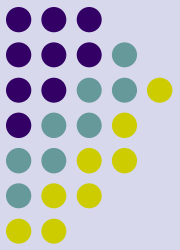
Sharing royalty

A portion of royalty that accrues to States can be set aside as a depletion charge –part to go to local area development (or foundation) and part into an intergenerational fund



Moral and existential, if not legal, stake of local people in extractive resource development

Compensating for land beyond replacement value

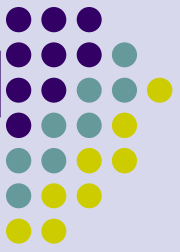


- Ways

- Share in project revenue streams, say in the form of shares in project
- Annual lease/rental value – could be pegged to mineral prices
- Preferential rights to communities to develop or sub-lease the mineral property directly to an operator

Accepted system needs to be built into laws

For displaced and dispossessed people (with no land)



Should be compensated beyond the restoration value of their lost livelihoods because of the additional costs faced by them relative to the rest of the people in the project region. This could be in the form of

- Skill retraining
- Alternative employments

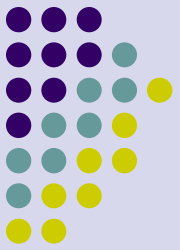
In sum

Responsible mining has to make project affected people better off as a result of the project than before

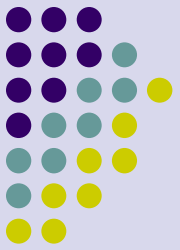
They need to have a clear prior claim on the revenue streams of the project, beyond just restitution for lost land, livelihoods and displacement

Why?

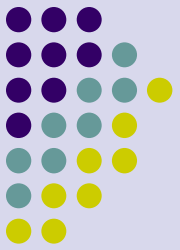
- Reduces risks of impoverishment of PAP
- Reduces poverty in region
- Reduces managerial delays due to unrest and protracted negotiations and speeds up project completion
- Is equitable as development benefits are spread more widely
- Is politically sound as it increases local satisfaction and reduces adversity to project



To conclude



- Mining in India is facing a **reputational crisis**, but the industry and government are not being attentive to the signals and voices on the ground
- Government needs to create an **environment** for responsible mining that enables, regulates, enforces, monitors, manages revenue, and ensures corporate accountability
- Urgent that the mining industry in India have their own **Indian Mining Initiative** and arrive at arrangements that enable improved sharing of mineral value and the practicing of trust



Thank You