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TECHNICAL SESSION 1: SUSTAINABLE DEVELOPMENT IN THE MINING SECTOR

GLOBAL EXPERIENCE ON SUSTAINABLE DEVELOPMENT IN THE MINING SECTOR

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**Sustainable Mining and the United Nations Framework
Classification- Challenges and Opportunities in India**

**Hotel Eros, Nehru Place, New Delhi, India,
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Headline Message

Global mining is expanding rapidly, driven principally by Chinese and Indian economic growth, while India's mining sector contribution to GDP remains very modest given underlying resource potential.

- Global demand for minerals tied to population growth and poverty eradication; providing a competitive advantage to mineral-rich nations & states – \$4 trillion or 7% of global GDP (2008)
- Mining presents both opportunities and challenges for weaker states globally
 - “Paradox of Plenty” or “Drivers for Development”
- India's mining sector over the last decade has been 1.2 per cent of GDP
- India's mining sector has the potential to contribute \$40 billion annually to governmental revenues and create an additional 2.3 million jobs (direct and indirect) by 2020. (McKinsey 2012)



Headline Message

Significant squeeze on the sector globally, from increased capital costs, limited financing options and increased pressure for shared prosperity

Required investments ↑

- on average USD 3-5+ billion (ultimate build out); 60% associated infrastructure costs in frontier countries and states

Financing ↓

- Ongoing liquidity limitations, new banking rules limit ability to mobilize adequate financing for any one country or state

Country Risk ↑

greater resource nationalism (a) > equity participation (b) > share of revenues and benefits and (c) > control of associated infrastructure



Global Macro Trends



- **Licensing:** competitive tenders, contract transparency, resource nationalism
- **Regulatory Compliance:** third party compliance monitoring, industry performance standards and benchmarking, surety of closure, climate change
- **Taxes / Royalties** – revised fiscal terms & conditions, revised contracts, equity participation, third party audits
- **Transparency** – new EITI Standard incl. CSR, local development , sub-national transfers, and sovereign wealth funds
- **Inclusive Growth & Integrated spatial planning: “Resource Corridors”**
 - Alignment of public and private sector investments
 - Leveraging growth in other sectors
 - Effective benefits sharing
 - Infrastructure development
 - Absorptive capacity in communities
 - environmental performance

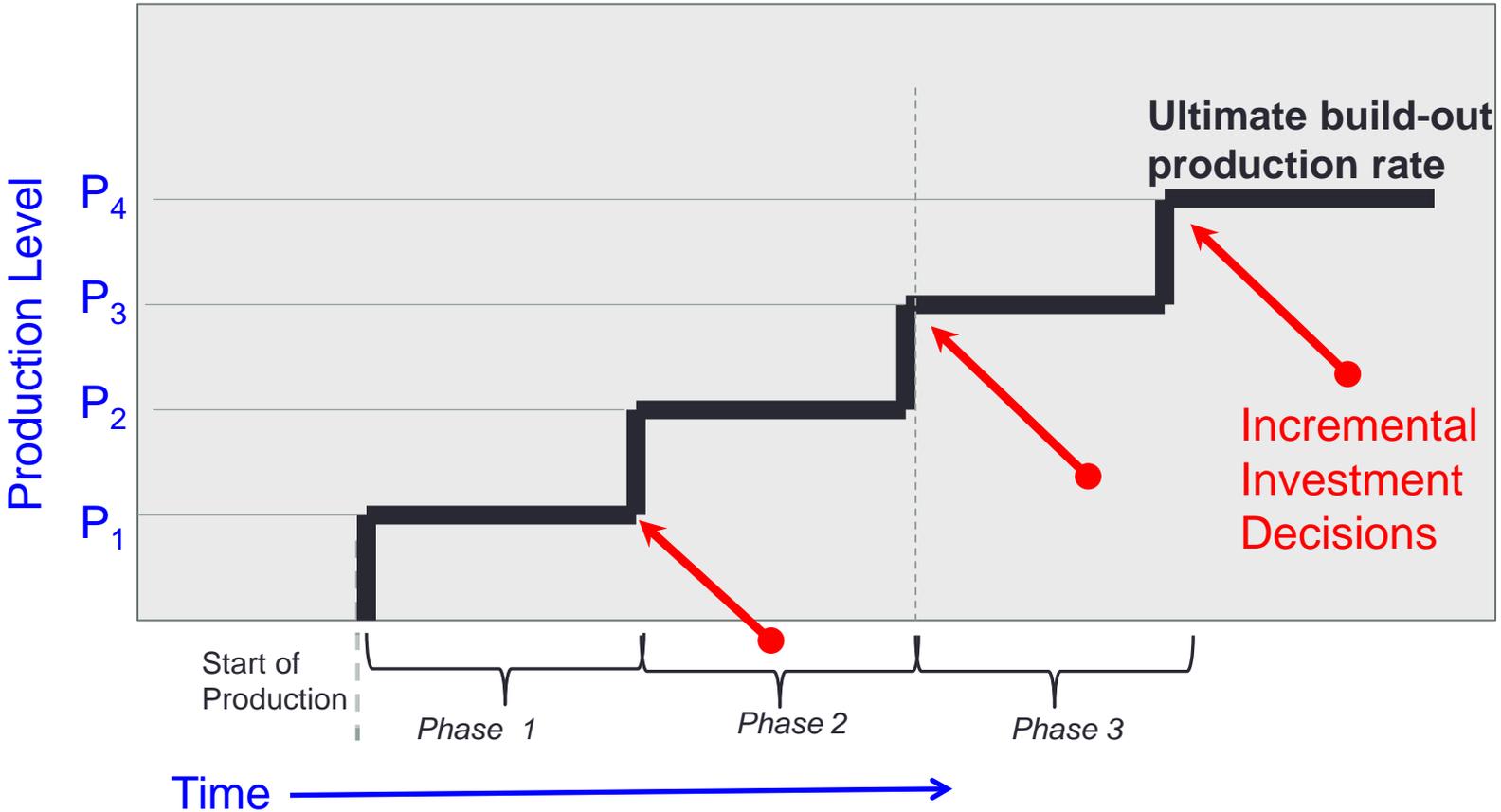
Headline Message
There are challenges across the Extractive Industry Value Chain – requiring concurrent reforms.



Global Macro Trends

Headline Message

Financial limitations are returning the industry to smaller incremental investments, in which economic, environmental and social performance will determine the next investment phase.



Headline Message

New mines emerging from Competitive Licensing processes requiring robust Sustainable Mine Development Plans considering economic, environmental and social performance across the EI Value Chain



Processes for (a) Mining Contracts / Licenses and (b) Sustainable Mine Development Plans, are converging

The award of mining contracts and licenses via competitive processes will require inclusive growth approaches.

Global financial markets and community issues are converging around sharing of benefits



Indian Challenges



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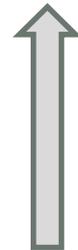
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Headline Message
Major issues across the EI Value Chain in India. Licensing and Sustainable Development pressures dominate



Indian Challenges



- Weak regulatory oversight with illegal mining and judiciary actions
- Limited overall knowledge of mineral resource potential
- Mineral development agreement not broadly capturing the inclusive growth agenda
- Weak public financial management and public investment management
- Limited local economic linkages (SME's) and sharing benefits with local communities leading to conflict
- Overburdened infrastructure and environmental systems (water, forest lands)

Strengthening the Sector in India

Headline Message

Improvement to the Indian mining sector emerges from the proposed Mining Act and is reinforced by the draft Indian Mining Sustainable Development Framework (2011), a risk based approach to integrate across the EI Value Chain from mining concessions to community engagement / mine closure).



Strengthening the Sector in India



Draft Indian Mining Sustainable Development Framework



Implementation of UNFC, 2009

- Supports Principle I

Roll-Out of Mineral Tenement System (MTS)

- Supports Principle II and III

Implementation of Sustainable Mine Plans

- Supports Principle VI

Summary

Despite strong demand for mineral commodities -- challenges facing the global mining industry are profound. Fewer new operations will achieve good governance standards measured by economic, environmental and social performance measures.

Within India, the Sustainable Development Framework (SDF) for Indian Mining Sector forms the foundation for a series of reforms that begin with Implementation of the UNFC (2009) framework, preparation of sustainable mining plans, and introduction of a transparent, non-discretionary mineral tenement system.



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