

# Goa Government Eclipses Mining Hope, Miners Feel it as Dream

- Steelworld Research Team



## Introduction

Goa, a small state on the western coast of India, is gifted with nature's bounty and a checkered historical background. Goa also has the credit of having pioneered the exports of iron ore from India with around 70.08% of India's steelmaking raw material. A fair share of the country's iron ore deposits is available in Goa. Although of low iron content, the ore is made marketable by processing. Ore is exported in the form of lumps, fines and pellets. The proximity to a natural seaport with modern amenities adds to its advantages. In 2011, iron ore exports were recorded at 43.27 million tonnes from Goa. But, alas in September 2012, all 139 mining licenses were cancelled bringing thereby, mining activities and exports to a grinding halt. Since then, miners are surviving on alternative options for business.

Most exporters in the state have their own mines however, inter purchase between mine owners is also prevalent. Goa's insitu iron ore is comparatively of low grades. Most of the ore ranges between 58 and 62% of Fe content. Nowhere else are such ores considered to be marketable. Hence, iron ore miners is wholly dependent on exports,

thereby tending to keep a balance between supply and demand so as to avoid excessive inventory. In fact, in other parts of the country such type of ore is treated as rejects. Goan ores, therefore, have to go through an elaborate process of beneficiation / concentration to render them marketable. Stringent demands have resulted in the Goan Mining Industry to consistently improve on its mining methods keeping abreast of technological advancements, always aiming to better its past performance and committed to ecologically safe mining practices.

## Humble Beginning

Goa accounts for 5.3 per cent of Indian iron ore reserves of 28.52 billion tonnes as per the National Mineral Inventory of 2010. However, it was the largest exporter of iron ore before mining operations were stopped in the province.

Iron ore exports commenced in the late 40's with around 30-40 thousand tonnes of iron ore exported through Mormugao Port. The last decade however showed an average export of 32 million tonnes of iron ore. The highest being 54.42 (Goan and Non-Goan origin) million tonnes exported in the year 2010. After liberation from the Portuguese rule, Iron ore accounted for foreign exchange of Rs 18.31

crore. Forty eight years later the steelmaking raw material earned Rs. 14272 crore.

Mormugao Port was the only outlet for the export of ore, initially. While iron ore exports from the rest of the country have to be canalized through the MMTC, the Goan mine owners are permitted to make direct shipments to Japan, China, South Korea, Taiwan, the Middle East, Pakistan and Europe. The Goa Mineral Ore Exporters' Association closely monitors shipments' grade and price and other parameters.

As per the details provided by the Goan Mineral Ore Exporters' Association (GMOEA), out of about 38.25 million tonnes iron ore exported in 2011-2012, about 14.9 million tonnes (39%) was exported by Sesa Goa Ltd. and Sesa Resources Ltd., about 7.4 million tonnes (19%) by Fomanto Group of Companies and about 3.9 million tonnes (10%) by



While the state government is considering opening of iron ore mining in Goa, the actual commencement of the excavating the steelmaking raw material may take at least five – six years due to the involvement of other agencies including the Supreme Court, Ministry of Mines, Ministry of Commerce and more so, the aggressive lobby of steelmakers, says Steelworld Research Team.

Salgaokar Group of Companies. The balance about 32% of the exports was accounted for by others.

#### Prompt Actions

Acting in concert on the complaints made by several non – governmental organizations (NGOs) with observations from the Supreme Court which was looking at iron ore mining issues in Karnataka, the court appointed Justice M.B. Shah Commission for a detailed enquiry for illegal mining of iron ore and manganese ore. The Commission report made serious observations regarding illegal mining in the State which says that miners have violated mining laws. The government has complete lack of control on the working of mining leases in Goa, substantial differences in the details of the production and other details of the mining leases provided by various Departments of Goa, grant of environmental clearances for the mining leases located within 1 km of the National Park / Wildlife Sanctuaries in violation of the directions of the Hon'ble Supreme Court etc.

The MB Shah Commission also observed that there was cases of arbitrary condonation of the delays in filing of renewal applications after due date and without jurisdiction and also illegal mining by

way of mining pits and over burden dumps etc outside the sanctioned mining lease areas.

The Ministry of Environment and Forest (MoEF) on September 14, 2012 issued a direction to keep in abeyance all 139 environmental clearances accorded by the MoEF. Hon'ble Court by its order dated October 5, 2012 has inter-alia directed that all the mining operations in the leases identified in the Shah Commission Report and transportation of iron ore and manganese shall remain suspended.

#### CEC Observations

The Central Empowered Committee (CEC) appointed by the Supreme Court observed that there are significant inconsistencies and contradictions and that the information was totally inadequate and incomplete. The CEC thereafter vide letter dated November 14, 2012 requested the Chief Secretary, State of Goa to provide the complete information. The MoEF provided part of the information sought by the CEC and stated that the information in respect of the balance items would be sent separately. Taking a serious note on, the CEC observed that the MoEF, in apparent violation of this Hon'ble Court's order and notwithstanding the stand consistently taken by it

that no mining is permissible within the national parks / wildlife Sanctuaries, granted environmental clearances (ECs) to at least 19 mining leases. As per the information provided by the State of Goa three of such mining leases have operated in one or more years during the last five years;

Also, in a number of ECs the locations of the mining leases have been shown to be outside the sanctuary whereas the mining leases are located within the Sanctuary. Even after the correct position was brought to its notice, the environment clearances were not cancelled / withdrawn. Even if the MoEF was of the view that the mining leases are located outside the sanctuary the environmental clearances should not have been granted as (a) this Hon'ble Court's order prohibits mining within a distance of 1 km from the national parks / wildlife sanctuaries and (b) each of the environmental clearances have been granted after considering the report of the environment impact assessment studies (EIA Studies). Such studies must have revealed the adverse impact of the mining on the integrity of the sanctuary, wildlife habitat, flora and fauna.

There are about 120 mining leases located

IRON ORE EXPORTS	
Financial Year	Quantity (Million Tonnes)
1994-1995	14.75
1995-1996	14.78
1996-1997	14.47
1997-1998	18.44
1998-1999	15.44
1999-2000	15.14
2000-2001	16.07
2001-2002	16.70
2002-2003	20.69
2003-2004	22.09
2004-2005	23.31
2005-2006	25.54
2006-2007	30.89
2007-2008	33.43
2008-2009	38.08
2009-2010	45.69
2010-2011	46.85
2011-2012	38.25

Source : Goan Mineral Ore Exporters' Association within a distance of 10 km from the national park / sanctuary for which ECs have been granted by the MoEF. This is in addition to the 19 mining leases located within the sanctuary and the 23 mining leases located upto a distance of 1 km from the national parks / wildlife sanctuaries. As per the information provided by the State of Goa to the CEC out of these 120 mining leases as many as 103 mining leases actually fall within 1 to 10 km, one lease falls within the Sanctuary itself, 8 leases fall within one km of the national park / sanctuary and another 8 leases fall beyond 10 km. Out of the 103 mining leases 74 are working mining leases and the remaining 29 are non-working mining leases. In addition another 10 'working' mining leases also fall within 10 km of the national park / sanctuary.

The mining operation may be allowed to be resumed in the State of Goa by the mining leases not found to be involved in any illegalities only after (a) the macro level study report of the ICFRE is received by this Hon'ble Court and a decision regarding the Taluka wise ceiling on permissible annual production from all the mining leases is taken (b) the survey and demarcation of the mining leases by the team constituted by this Hon'ble Court is completed and (c) the replacement and rehabilitation (R&R) Plans are prepared and lease wise permissible annual production are fixed after considering the mineral availability, area available for over burden dump and available infrastructure facilities particularly the carrying capacity of the existing roads. The resumption of mining operations by the mining leases found to be involved in illegalities including the violation of rule and working beyond the sanctioned mining lease boundaries

may not be permitted till a decision regarding compensation payable by such lease holders is taken and complied with and the preparation and implementation of the R&R Plans is completed.

#### Centre on Course to Restore Exports

With the Investigations about the legality is still currently going on under the supervision of the Supreme Court, the Union Finance Minister P Chidambaram on August 22 assured miners that the government is serious looking at their proposal to relax iron ore mining and exports from Goa.

"We heard views from both in favour and against of iron ore exports. The proposal is being examined. We have got representations from both the groups. The matter is currently being examined by the Central Board of Excise and Customs (CBEC), he said while addressing media persons in New Delhi on Thursday. Replying to a question, the finance minister said that exports duty stands today at 30 per cent. The Ministry of Mines is in favour of reducing the export duty. The proposal, however, is opposed by the Ministry of Steel.

Last month, the Prime Minister Manmohan Singh had made a case for increasing exports of iron and other ores. Exports of iron ore fell from a high of 117.4 million tonnes in 2009-10 to 18 million tonnes in 2012-13. The government is looking to remove the constraints in the exports of iron and other ores which saw a considerable decline during the last one year. Chidambaram said the priority was to increase exports of iron ore, especially fines which not used by the domestic steel industry. He was of the view that the mining should restart immediately. The government is looking to seek relaxation in restrictions imposed by the Supreme Court. Some orders are expected about mines in Goa, he added. Since, iron ore mined in Goa is largely of low grade fines, hence, miners in Goa will be the largest beneficiary of the government's move. "Whatever is meant for domestic consumption should be left for local manufacturers, but, whatever is meant for exports should be exported," he added. "It's a big development for Goan miners. We are hopeful that the government should start mining and exports of low grade iron ore from Goa soon," said Melwani, a mine owner from Goa.

#### Pro-active State Government

Goa Chief minister Manohar Parrikar recently said that suspension orders on 24 to 30 mining leases would be lifted soon which, however, will not lead to an immediate resumption of mining activities, as the matter has to be decided by the Supreme Court. Clearly, he indicated that the recommencement of iron ore mining is beyond his government's control. Parrikar said the process of lifting the suspension has been started so as to make way for resumption of mining without any delay once the SC revokes its order, and ECs are granted by the Union ministry of environment and forests (MoEF).

Meanwhile, the mines department has cleared

about 26 cases, and that more will also be cleared on a case-to-case basis and in a phased manner. The state is also moving to cancel dead leases. The government, however, is unlikely to give an opportunity to 119 dead leases as the owners of those mines have not submitted Form J (application for renewal of mining leases). On lifting of ban, around 50 would be operational in the state, the Chief Minister said.

About 90 mines were operational when the ban came into effect, of these 10 to 12 had been illegally granted leases. Of the balance 80 leases, the department has cleared 24-30 mining leases while the balance would be processed by the end of the month. Enquiries with mines department revealed that in the first lot they have renewed mining leases of companies that did not fall in the forest area. These mining companies are those that have also paid stamp duty that was unpaid since 2007. A few months ago the government had collected about Rs 370 crore by way of stamp duty from mining companies.

The department is in the process of publishing the names of all 119 dead leases in the official gazette, an officer said. Hopeless miners, however, feel that the actual commencement of mining will begin only after 5-6 years. "We do not see any ray of hope anytime soon due to the involvement of multi agencies including the Supreme Court and slow response from the Ministry of Mines and also MoEF," said Haresh Melwani, CEO of H L Nathurmal & Co., a miner and exporter.

P K Mukharjee, Managing Director of Sesa Goa, said, "We are awaiting the final order to commence mining and exports of iron ore."

#### Factfile

- Sept 2012 : M B Shah commission report on iron ore mining in Goa tabled in Parliament
- Sept 2012 : Goa govt suspends all mining activities in state
- Sept 2012 : MoEF suspends clearances of 93 mines in Goa
- Aug 2013 : Goa government announces it is preparing to lift mining ban About 90 mining leases were operational until mining was banned in September 2012
- Aug 2013 : Suspension of 24-30 leases will be lifted soon

#### Industry Bodies Unhappy

Both the Federation of Indian Minerals Industries (FIMI) and the industry body the Federation of Indian Chambers of Commerce and Industry (FICCI) had showed dissatisfaction with the ban. FIMI Secretary General R K Sharma said that the iron ore exporters have lost the opportunity to take advantage of rising price in global markets. Since, Goan iron ore is primarily not consumed by domestic steel mills due to lower Fe content in it and hence, exported, mining and exports should be allowed freely. Also FICCI said that the ban on iron ore mining has affected steel industry in India badly.