



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalsivam Kamarajar"

Critical minerals

Published On: 12-10-2023

Why is in news? Cabinet approves royalty rates for mining of three critical and strategic minerals- Lithium, Niobium and Rare Earth Elements (REEs)

The Union Cabinet chaired by the Prime Minister approved amendment of Second Schedule of the **Mines and Minerals (Development and Regulation) Act, 1957** ('MMDR Act') for specifying rate of royalty in respect of 3 critical and strategic minerals, namely, **Lithium, Niobium and Rare Earth Elements (REEs)**.

Recently, the **Mines and Minerals (Development and Regulation) Amendment act, 2023** was passed by the Parliament, which has come into force from 17th August, 2023.

The Amendment, among other things, **delisted six minerals**, including Lithium and Niobium, from the list of atomic minerals, thereby **allowing grant of concessions for these minerals to private sector** through auction.

Further, the amendment provided that **mining lease and composite license of 24 critical and strategic minerals** (which are listed in Part D of the First Schedule of the Act), including Lithium, Niobium and REEs (not containing Uranium and Thorium), shall be auctioned by the Central Government.

The approval of the Union Cabinet of **specification of rate of royalty** will enable the Central Government to auction blocks for Lithium, Niobium and REEs for the first time in the country.

Royalty rate on minerals is an important financial consideration for the bidders in auction of blocks.

The Second Schedule of the MMDR Act provides royalty rates for various minerals.

A royalty is a **legally binding payment** made to an **individual or company for the ongoing use of their assets**, including copyrighted works, franchises, and natural resources.

Royalty rates are **often expressed as a percentage of the revenues obtained using the owner's property**; however, they can also be expressed in other terms (including a fixed value), depending on the specific characteristics of the licence agreement.

Thus, it is decided to **specify a reasonable royalty** rate of Lithium, Niobium and REE as below:

Lithium – 3% of London Metal Exchange price,

Niobium –3% of Average Sale Price (both for primary and secondary sources),

REE- 1% of Average Sale Price of Rare Earth Oxide

Critical Minerals:

Critical minerals are elements that are **crucial to modern-day technologies** and are **at risk of supply chain disruptions**.

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: **044 4353 9988 / 98403 94477** / Whatsapp : **09710729833**

These minerals are used in making mobile phones, computers, batteries, electric vehicles, and green technologies like solar panels and wind turbines.

Minerals such as antimony, cobalt, gallium, graphite, lithium, nickel, niobium, and strontium are **among the 22 assessed to be critical for India.**

Many of these are required to meet the manufacturing needs of green technologies, high-tech equipment, aviation, and national defence.

Critical minerals have become essential for **economic development and national security** in the country.

Critical minerals such as Lithium and REEs have gained significance in view of India's commitment towards energy transition and achieving net-zero emission by 2070.

Lithium, Niobium and REEs have also emerged as strategic elements due their usages and geo-political scenario.

Encouraging indigenous mining would lead to reduction in imports and setting up of related industries and infrastructure projects.

The proposal is also expected to increase generation of employment in the mining sector.