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Mongolia Passes Changes to Mining Law That May Boost Exploration

By Michael Kohn July 01, 2014

Mongolia's parliament approved changes to the nation's 2006 Minerals Law, a development that may spur renewed investment in the flagging economy.

Passage of the amendments was announced on the Great Hural's website. The legislature, which ended its spring session today, also voted to allow the government to invest in the Tsagaan Suvarga copper and molybdenum project. Earlier in the day it passed the Law on Petroleum.

The flurry of activity comes amid Prime Minister Altankhuyag Norov's 100-day push to jump start the economy after more than two years of slowing growth and plunging foreign investment. FDI fell 52 percent last year and dropped 64 percent in the first five months of 2014, due in part to plunging coal prices and disputes with key investors, including Rio Tinto Group.

Drafts of the Minerals Law amendments included the creation of a National Geological Survey and the formation of a Policy Council to oversee legal changes in the mining industry. The final version of the changes hasn't yet been made public.

Mining law amendments will increase the proportion of Mongolia's area available to mining and exploration to 20 percent from about 8 percent, by lifting a 2010 ban on new licenses, according to comments made in May by Mining Vice Minister Erdenebulgan Oyun. The period of exploration will also increase to 12 years from nine years, he said.

Passage of the amendments may also lead to a resolution to last year's cancellation of 106 mining licenses, according to Otgochuluu Chuluuntseren, director general of the Ministry of Mining's department of strategic policy and planning.

Uncertainty Resolved

"Uncertainty that has been hanging over the mining and exploration sector for quite some time has been finally resolved with minimal amendments," Dale Choi, head of the consultant Independent Mongolian Metals & Mining Research, said by e-mail today. Investors should "be content that major parties can agree at the last minute on some major issues."

In May, the Ministry of Mining said the government intended to buy a 34 percent stake in Tsagaan Suvarga, a project owned by Ulaanbaatar-based Mongolyn Alt LLC. The ministry's Erdenebulgan said Mongolia will sell bonds to pay for its purchase the mine stake.

In May, Erdenebulgan said passage of the laws may lead to \$1 billion in new investments.

Replacing Mongolia's 1991 Petroleum Law may expand investment opportunities to include different types of contracts between parties and regulate new energy sources including Mongolia's nascent oil shale industry, Erdenebulgan said in May.

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