



X



POLITICAL ECONOMY

Mongolia passes mining changes to boost exploration

Parliament has approved changes to the 2006 Minerals Law, a development that may spur renewed investment in the flagging economy.

Author: Michael Kohn (Bloomberg)

Posted: Wednesday , 02 Jul 2014

(BLOOMBERG) -

Mongolia's parliament yesterday 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 passed a new law on energy to help expand that sector.

In another vote, parliament blocked government investment in the Tsagaan Suvarga copper and molybdenum project, according to Otgochuluu Chuluuntseren, director general of the Ministry of Mining's department of strategic policy and planning.

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 Area

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.

"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."

The Ministry of Mining said in May that 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 would sell bonds to pay for its purchase of the mine stake.

In May, Erdenebulgan said passage of the mining and energy laws may lead to \$1 billion in new investments. Replacing Mongolia's 1991 Petroleum Law could expand investment opportunities to include different types of contracts between parties and regulate new energy sources including Mongolia's nascent oil shale industry, he said.

To contact the reporter on this story: Michael Kohn in Ulaanbaatar at mkohn5@bloomberg.net

To contact the editors responsible for this story: Jason Rogers at jrogers73@bloomberg.net

©2014 Bloomberg News

Topics: MINING, INVESTMENTS, MINERALS LAWS, MONGOLIA, TSAGAAN SUVARGA, EXPLORATION, MINING LICENCES

Disclaimer

MINEWEB is an interactive publication, with rolling deadlines through each day, commencing in the Sydney morning, and concluding, 24 hours later, in the Vancouver evening. If you believe your side of an issue deserves inclusion, but has failed to meet one of our deadlines, you are invited to notify the Managing Editor, and we will include you in our editing and expanding on our stories. Email him at geoff@mineweb.com