



National Mineral Policy

(Except for Hydrocarbons)

2023

Ministry of Environment

Sri Lanka

Introduction

Minerals are non-renewable natural resources that are loaned from future generations and almost exclusively used only once. Hence, the optimal use of mineral wealth is non-negotiable, as is identifying relevant policies to reap appropriate benefits from it. Recognizing the true potential of minerals, both in terms of quality and quantity, is the first and most important step toward effective management of the same. Once the country's mineral potential has been adequately mapped, the necessary tools will be developed to maximize the utilization of known reserves while introducing appropriate mining norms to protect the environment from undesirable extraction initiatives. In this endeavour, past lessons will be scrutinized in order to strike a proper balance between mineral utilization and sustainability. Recognizing the richness of Sri Lanka's environment, which is flourishing with unique and yet sensitive micro-environmental settings, mineral-related activities shall be permitted only under the strict policy and commercial guidelines and principles, ensuring minimal environmental impact with mitigation measures.

The existing National Mineral Policy was developed in 1999 and includes elements similar to those discussed in this document. However, current socioeconomic perspectives have identified the need for a revised Mineral Policy. As a result, the new policy emphasizes the "intrinsic quality" of local minerals as well as the need for a system to monitor and enforce the flow of foreign currency from mineral exports. This policy aims to address seabed mineral resources as well as land issues associated with mineral-related operations.

The purpose of this document is to identify policies and principles extensively that will enhance the mineral sector of the country. Bridging the policies to a workable plan to be implemented at the ground level, strategies are introduced as a part of this policy. This policy framework will serve as the foundation for appropriate institutes to develop Action Plan(s) in respective areas.

Scope

The scope of this document is to formulate a framework and guidelines ensuring proper management of mineral resources of the country. Hydrocarbons are excluded in this policy as the same is managed and administrated from different perspectives.

Policy Goal

To ensure optimal utilization of the country's mineral wealth by increasing revenue to the State through taxation, royalties, dividends etc, protecting small-scale traditional mineral-based industries and enabling them to stay competitive through appropriate linkages, encouraging value-added exports to earn foreign exchange, particularly through private sector investments in value addition, curtailing and/or banning exports in non-value added or limited value-added form as required and ensuring the availability of earth material for local consumption at competitive prices in order to contribute to better living standards for the people while protecting the environment in a sustainable manner.

Objectives

1. Explore, assess, and evaluate the country's mineral potential in order to efficiently manage the mineral sector.
2. Regulating mineral and mining activities in a productive and sustainable manner while protecting both the industry and the environment, working within the framework of the National Environmental Act.
3. Encourage and facilitate mineral value addition and product development with the maximum possible benefit to the country.
4. Creating a competitive, transparent, and conducive environment for the development of the mineral industry, from exploration to product development, through appropriate policy measures, regulations and standard norms.

Minerals are non-renewable substances that play an important role in transforming and growing a country's economy; therefore, the available resources must be used sustainably, introducing alternatives with proper awareness of impending threats. Such threats include the depletion of mineral resources through non-value-added exports and mining and a lack of investment in new technologies and processes required to add value.

Definitions

1. **Mineral:** Under this policy, "mineral" refers to naturally occurring earth materials derived on the surface, near the surface, and/or subsurface, including seabed.
2. **Country:** Land territory, including internal waters, territorial sea, contiguous zone, exclusive economic zone, and extended continental shelf seabed.
3. **Value addition:** "Value addition" refers to any process, such as selective mining, beneficiation, processing, and product development, as well as identifying market opportunities that increase the value of a mineral relative to its pit-head value in bulky form through required investments in transformation of such minerals into such high value-added products.
4. **Zero-Waste:** Extracted target mineral and any other mineral(s) associated with such mineral are considered "Zero Waste" if they are 100% utilized for a credible process.
5. **Miner:** an entity engaged in the exploration, mining, transportation, and processing of minerals under the authority of the State.
6. **Mining:** extraction and/or collection of minerals from their natural occurrence.

PRINCIPLE 1:

State shall know the potential of the earth resources within her jurisdiction

Statement:

Knowledge of mineral resources within its jurisdiction shall be a state affair and a fundamental requirement for appropriately managing the sector. As a result, every effort should be made to increase knowledge of mineral resources to the point where managing them becomes prudent. To that end, the State shall have unrestricted access to mineral exploration throughout its jurisdiction, with the exception of national security and environmental concerns.

Strategies:

- (a) Data and information scattered across various entities will be combined to create a detailed and living information system on mineral resources.
 - i. Mineral-based data will be gathered from various entities, both private and public, in order to compile an integrated database on minerals.
 - ii. The knowledge gained from research activities on mineral resources will be shared in order to update the mineral-based information system.
- (b) Mineral exploration to assess the country's mineral wealth (entire jurisdiction) will be effectively reformulated, and the state will encourage and involve in systematic mineral exploration within its jurisdiction.
 - i. The government authorities shall be provided unrestricted access to explore minerals within the States jurisdiction.
 - ii. Mineral exploration conducted by third parties will be re-evaluated in order to obtain the required data and inputs on mineral resources for the State.
 - iii. If mineral-related data is generated through any survey, even if the primary goal is not to collect such data, the resulting data and knowledge must be shared with the appropriate authorities.
 - iv. The state is having access to a large area of seabed and will be further extended as a result of the continental shelf extension, necessary tools for mineral exploration will be developed.

PRINCIPLE 2:

Mining of mineral resources will be decided considering overall benefits to the national and regional/rural economies, based on the socio-economic and environmental perspectives and sustainability of the industry.

Statement:

Under proper assessment and economic viability of such utilization for value-addition purposes and as raw material for value-added industries, the country's mineral resources will be considered for mining. Every effort will be made to reduce adverse environmental impact while increasing yield and benefits to stakeholders.

Strategies:

- (a) The assessment of the mineral(s)' economic viability would be strictly adhered to,
 - i. Mining of minerals will be permitted if such minerals are considered for appropriate usage, preventing possible underuse that would degrade the value of such minerals.
 - ii. Mining preference will be given to the entity that generates the optimum economic benefits to the country by utilizing such mineral (s).
 - iii. Probable minable quantities would be assessed on a regular basis, allowing decisions on the mining plan to be made.
 - iv. It will be encouraged to use contemporary technology and efficient mining techniques that address environmental issues and maintain the quality of raw materials.
 - v. The procedures, equipment, and knowledge required for mining the minerals from the sea bed will be developed.
 - vi. Existing entities including private companies and State Owned Enterprises (SOE)s that are not generating such benefits will be required to undertake corrective action or curtail such activities
- (b) The good health of the mine must be maintained with minimum impact on the environment in terms of relevant regulations.
 - i. Prior to the start of any mineral mining, necessary base data (environmental, geological, etc.) will be collected in order to quantify the potential impact of such mineral extraction.

- ii. In the event of a negative impact caused by mining and mining-related activities, the mining-related authority shall assess such damages with the assistance of relevant government agencies, and the "miner" would be obligated to compensate the affected parties and entities.
 - iii. The zero-waste policy is encouraged at the mining stage and will be continued until the processing and marketing stages.
 - iv. Restoration and rehabilitation would be essential components of the mining plan, which would be closely monitored and evaluated by the relevant authorities.
 - v. Mining of minerals is only permitted in restricted areas under strict preservative norms, following a comprehensive evaluation of its economic viability and potential environmental impacts, and is subject to close monitoring.
 - vi. Development activities shall be limited in the lands with high mineral potential, enabling to mine of the same when and where required. In securing these potential areas for future mining, mineral zones will be introduced.
- (c) When a mine's lifespan expires, appropriate measures will be taken under "Mine Closure" to secure the mined area with proper rehabilitation norms.

PRINCIPLE 3:

The national mineral wealth will be further enhanced via value addition and product development with optimal revenue to the state

Statement:

The intrinsic quality of local minerals and processing opportunities will be identified and action will be taken to attract appropriately qualified local and foreign investors to add value to such minerals providing such investors with a commensurate return on investment and multiple revenue sources to the State resulting in maximum possible benefits to the country.

Strategies:

- (a) The intrinsic quality of local minerals would be assessed to maximize economic benefits.
 - i. Accreditation and branding of local minerals in their raw form would be promoted.
 - ii. Market opportunities and market intelligence would be gathered to ensure appropriate international market-based export values are obtained from the export of high-quality minerals in value-added form.
 - iii. Opportunities to utilize quality mineral reserves will be made available on a competitive basis following a careful analysis of the benefits to the country.
- (b) Processing and value addition norms will be promoted by creating a competitive base for investors.
 - i. The export policy for minerals must take into account the fact that they are nonrenewable resources and that every mine eventually runs dry or becomes unprofitable. Therefore, export policy should research the nation's long-term requirements and prohibit the export of minerals in a minimal or non-value-added form that will in any way adversely impact the sustenance and growth of the local value-added industry.
 - ii. If the survival of a local mineral-based industry is threatened by a shortage or non-availability of local minerals, mineral imports will be permitted, subject to a careful analysis of the overall benefits from such imports.

- iii. Minerals may be imported and re-exported if there is a significant value addition, taking into account the overall gain to the State from such exports.
- iv. The research will concentrate on the development of viable and affordable processing techniques and mineral value addition under local conditions.

PRINCIPLE 4:**Environment protection and sustainable development will be ensured*****Statement:***

Recognizing that both mineral extraction and value-added processes will inevitably have an impact on the environment, all possible measures will be taken to minimize the negative impact on the same through strict adherence to regulations under the National Environment Act (NEA). As such, through an appropriate EIA process, aspects such as rehabilitation, restoration, and mitigation action will be carried out in the most appropriate and credible manner.

Strategies:

- (a) Every step pertaining to mineral-based activities will be taken to protect and minimize adverse impacts on the environment and society (including people and property) and will equally apply to both private enterprises and SOEs engaged in the mineral sector and
- (b) The zero-waste policy with value addition will be promoted.
- (c) Market-based instruments such as the "polluter pay principle" will be modified to prevent all types of pollution.
- (d) Standard operating procedures will be developed to prevent mineral contamination and infestation with unknown invasive species, harmful toxic chemicals, and radioactive or other biological, physical, or chemical means.
- (e) Sustainable mining technologies and best practices will be introduced that are lowrisk, disaster-free, and have a low impact on the environment and the public.
- (f) Employee health and occupational safety precautions will be ensured by adapting mining standards.
- (g) Prior approval will be obtained to operate mineral-based industries, including mining, in environmentally sensitive areas.

PRINCIPLE 5:

Research and development will focus on facilitating policy goals and policy objectives of this document

Statement:

The issues pertaining to mineral-related aspects, such as exploration tactics, efficient exploitation norms, and value-adding opportunities to improve people's living standards, will be the main focus of research and development where such research will be collaboratively carried out established scientific institutions and universities in Sri Lanka and overseas where possible.

Strategies:

- a) Periodic assessments will be conducted to identify priority areas for research in the mineral industry.
- b) Research and development will be extended collaboratively, allowing inputs from other sectors that have an impact on mineral-based industries such as Public Private Partnerships (PPP) as well as with foreign entities/ investors.
- c) The research will be developed to share expertise, information, and facilities among the relevant entities.
- d) Market research on the mineral and mineral-based industry will be developed and access to different market intelligence information will be expanded.

PRINCIPLE 6:

Legislative, administrative and fiscal norms will be introduced to achieve goals set forth in this policy document

Statement:

Recognizing that the current regulatory, administrative, and fiscal framework is insufficient to address the policy principles and objectives of this document, necessary changes will be identified and implemented to address the policy principles.

Strategies:

- (a) The existing Acts, Regulations, administrative structure, and fiscal norms will be examined to determine how well these instruments support the policy tenets and objectives outlined in this document.
- (b) If necessary, an apex body will be established to restructure organizations that address these policy principles and make the necessary structural adjustments.
- (c) Fiscal policies will be strengthened with the assistance of relevant authorities in order to obtain appropriate revenues/taxes for the State and export proceeds.
- (d) Existing laws, foreign ownership restrictions (if any) for value-added minerals manufacturing and legal impediments to implementing this National Policy will be reviewed by the relevant Line Ministries and regulatory bodies within the minerals sector.

PRINCIPLE 7:

Land ownership and mineral rights will be addressed in a prudent manner

Statement:

Ambiguities and potential conflicts between land ownership and mineral rights will be addressed in order to find a long-term solution that encourages exploration while protecting land owners' rights. Land owners' rights will be strengthened in accordance with current global developments and best practices in mineral rights and land ownership.

Strategies:

- (a) Mineral exploration obstacles brought on by private land ownership will be removed while preserving the landowners' rights.
- (b) The regulatory authorities (Geological Survey and Mines Bureau, Gem and Jewellery Authority, etc...) will be facilitated to manage mineral-rich areas within the State lands administrated by government entities including plantation lands.