THE REVITALIZATION PROGRAM FOR THE PHILIPPINE MINING INDUSTRY: Strengthening the Foundation to Ensure Competitiveness

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Department of Environment and Natural Resources
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PHILIPPINE MINING INDUSTRY PERFORMANCE
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<th>2010 (Projections)</th>
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<td><strong>Gross Production Value</strong></td>
<td>PhP 87.0 Billion (US$1.95 Billion)</td>
<td>PhP 106.5 Billion (US$ 2.22 Billion) estimates</td>
<td>PhP 138.5 Billion (US$ 2.95 Billion)</td>
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<td><strong>Contribution to GDP (current prices)</strong></td>
<td>PhP 89.5 Billion US$2.01 Billion (1.2%)</td>
<td>PhP 100.5 Billion (US$ 2.10 Billion) (1.3%) estimates</td>
<td>PhP 110.4 Billion US$2.30 Billion (1.4%)</td>
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<td><strong>Total Exports of Minerals and Mineral Products</strong></td>
<td>US$2.482 Billion (5.2%)</td>
<td>US$ 2.720 Billion (5.4%) estimates</td>
<td>US$2.980 Billion (5.4%)</td>
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<td><strong>Taxes, Fees and Royalties</strong></td>
<td>PhP7.62 Billion</td>
<td>PhP7.50 Billion estimates</td>
<td>PhP8.00 Billion</td>
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<td><strong>Employment in Mining (and Quarrying)</strong></td>
<td>158,000</td>
<td>166,000</td>
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OPERATING MINES

8 Major Mines:
- Masbate Gold Operation of Filminera-PGPRC
- Lepanto’s Victoria and Teresa Gold Mines
- Philex’s Padcal Copper Mine
- Rapu-rapu Polymetallic Project.
- Banahaw Gold Project, Philsaga Mining Corp.
- Carmen Copper Project
- Canatuan Copper-Zinc Project of TVI Resources

1 Medium-scale Chromite Mines
- Redondo Project of Krominco, Inc.

10 Medium-scale Nickel Mines
- Cagdianao Mining Corporation, Dinagat Province
  - Berong Nickel Project, Quezon, Palawan
  - Rio-tuba Nickel Mining Corp., Bataraza, Palawan
- Hinatuan Mining Corp. – Tagana-an Project, Surigao del Norte
  - CRAU Mineral Resources Corp. – Sta. Cruz-Candelaria Nickel Project, Zambales
- Taganito Mining Corp. – Claver, Surigao del Norte
  - CTP Constn, and Mining Corp. – ACT Project and Carrascal Nickel Projects, Surigao del Sur
- Platinum Group Metals – Cagdianao Nickel Project, Surigao del Norte
  - SR Metals Inc. – Tubay Nickel Project, Agusan del Norte

4 Medium-scale Gold Mines
- Gold mine of Johnson Gold Mining Corporation
- Maco Mine, Apex Mining Company Inc.
- Diwalwal Direct State Development Project
- Acupan Gold Operations of Benguet

16 Cement Plants and Quarries
- 1 Nickel Processing Plant in Palawan
- 1 Copper Smelter (PASAR) in Leyte

2000+ Small scale mines and quarries
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<th>Agreement Type</th>
<th>Total no. of existing approved mining tenements</th>
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<td>Financial or Technical Assistance Agreement (FTAA)</td>
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<td>Exploration Permit (EP)</td>
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<td>Others (ISAG, MLC/PLC/LLC/SMP, SMEP/MPP)</td>
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<td><strong>TOTAL</strong></td>
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Only 853,950 hectares or 2.85% of the Philippine land area is covered by the 714 approved mining tenements.
THE GOVERNMENT’S REVITALIZATION PROGRAM FOR THE PHILIPPINE MINING INDUSTRY
Executive Order No. 270
The National Policy Agenda on Revitalizing Mining in the Philippines

- Based on the policy declaration of H.E. President Arroyo in 2003;
- Product of a 10-month consultation process among the 3 key stakeholders;
- Led to (a) the development of the Mineral Action Plan, the current industry roadmap; and (b) the creation of the Minerals Development Council, which was recently amended to include representatives from the Leagues of Provinces and of Municipalities of the Philippines and the creation of Regional MDCs.
TEN BENEFITS OF THE REVITALIZATION PROGRAM
1. Since 2004, investments from the Priority Projects has reached US$2.80 billion, with total investments up to 2013 estimated at around US$13.5 billion.
2. Increase in the number of operating mines from fourteen (14) in 2003 to twenty-three (23) in 2009 with five (5) more metallic mines (one gold and four nickel mines) plus a cement plant expected to operate in 2010.
PRIORITY MINERAL DEVELOPMENT, MINERAL PROCESSING AND EXPLORATION PROJECTS

OPERATING/EXPANSION PROJECTS
- Lepanto Mining and Consolidated Corp. - Teresa Gold Project
- Philex Mining Corporation - Sto. Tomas II Cu Expansion Project
- Rapu-rapu Polymetallic Project
- Philippine Associated Smelting and Refining
- Berong Nickel Project
- Coral Bay Nickel Corp. - Palawan Ni Project (Line 1 &2)
- Surigao Integrated Resources Corporation - PGMC
- Surigao Integrated Resources Corporation - CTP
- TVI Canatuan – (Silver-Gold & Base Metal Projects)
- Apex Mining Corp. - Maco Mine
- Philsaga Co-o (Gold & Gold Expansion Projects)
- Tubay Nickel Project - SR Metals
- Sta. Cruz Candelaria Nickel Project - CRAU
- Carmen (toledo) Copper Project
- Filminera Masbate Gold Project
- Carrascal Nickel Project- CNC/CTP
- Oriental Mountain Top Nickel Project-Minahang Bayan ng Dinagat Is., Inc.
- Urbiztondo South Nickel Project-Oriental Synergy
- Sta. Cruz Nickel Project-Benguet
- Cantilan Nickel Project- Marcventures
- Casiguran Nickel Project-Century Peak

FEASIBILITY/FINANCING STAGE
- Tampakan Copper Project
- Silangan Copper Project
- Acoje Nickel HPAL Project
- Runruno Gold Project
- Nonoc Nickel Project
- Mindoro Nickel Project
- Itonog Gold Project
- Far Southeast Gold Project
- King-King Copper-Gold Project
- Sta. Cruz Nickel Project-Eramen
- Balatoc Tailings Project-Benguet
- Rigid Lammin Iron Project

ADVANCED EXPLORATION STAGE
- Colet Mining – Colet Cu/Au Project
- MRL Gold – Agata Cu/Au/Ni Project
- TVI – Balabag Project
- Hallmark Mining/BHP Billiton – Pujada Ni Project

CONSTRUCTION AND DEVELOPMENT STAGE
- Didipio Copper-Gold Project
- Iligan Ferronickel Smelter Plant
- Manticao Ferronickel Smelter Plant
- Akle Cement Project
- Surigao Sumitomo HPAL Project
- Siana Gold Project
- Isabel Nickel Project
- Tiboli Gold Project

OTHER PROJECTS
- PMDC – Amacan Cu/Au Project
- PMDC – Batong Buhay Cu/Au Project
- PMDC – Diwalwal Direct State Utilization Project
PROJECTS IN THE ADVANCE STAGE

• **Siana Gold Project** – Greenstone Resources Corporation

• **Sta. Cruz Nickel Project** – Benguet Corporation

• **Cantillan Nickel Project** – Marcventures Mining and Development Corporation

• **Casiguran Nickel Project** – Century Peak Corporation

• **Urbiztondo South Nickel Project** – Oriental Synergy Mining Corporation

• **Zinc Plant - Canatuan Base Metal Project** – TVI Resources Development Philippines, Inc.

• **Akle Cement Project** – Eagle Cement Corporation
3. Increase in the production volume for the country’s top three mineral produce – gold, copper, and nickel. The increase is very evident in the case of nickel which increased by 651% over a five (5) year period (from 21,150 MT in 2003 to 137,351 MT in 2009) in view of the operation of new mines, higher demand and favorable price and in copper which increased by 141% over the same period (from 20,414 MT in 2003 to 49,060 in 2009). With a number of projects currently being developed or subject of on-going feasibility studies, gold and copper production is expected to increase within the next three to four years.
4. The Gross Production Value increased by 159% from 2003 (PhP41.1 Billion) to 2009 (PhP106.5 Billion). With the expected operation of five metallic mines and one cement plant, it is projected to increase further in 2010 by at least 30%, to PhP138.5 Billion.
5. Increase in the export contribution of the mining industry from 1.8% (US$637 million in 2003) to 5.4% (US$2.72 Billion) in 2009.
6. Between 2003 and 2009, direct employment in the mining industry increased from 104,000 (0.30% of the national workforce) to 158,000 (0.50%) or 54,000 mining jobs generated in five years. The figure excludes those engaged in small scale mining. Also, at a conservative multiplier effect of 1:4, indirect jobs generated by the industry is estimated at 630,000.
7. The 2% excise tax collected from mineral and mineral by-products increased by 656% from PhP155.8 million in 2003 to PhP1.212 billion (estimate) in 2009.
8. Commitment for the implementation of 5-Year Social Development and Management Programs (SDMP) for the Host and Neighboring Communities of PhP1.2 billion benefitting 749 barangays nationwide.


10. A Mining Forest Program started in 1988 with 85 participating companies, 9.8 million seedlings planted in more than 11,000 hectares of mining affected and other areas surrounding mining areas nationwide.
STRENGTHENING THE FOUNDATION TO ENSURE COMPETITIVENESS
A Memorandum Order on MINING TENEMENTS REFORMS to expedite the processing of mining applications while at the same time weeding out non-moving tenement applications and ensuring compliance by permittees/contractors with their contractual/permit commitments with focus on:

- Further reduction in the processing time of mining tenements
- Cleansing of non-active mining applications
- Compliance Strengthening
MINING TENEMENT REFORMS

• FURTHER REDUCTION IN THE PROCESSING TIME OF MINING TENEMENTS.

  – Issuance of Exploration Permit
    • Maximum period of 10 weeks upon acceptance of application; first and second renewal shall be granted within 15 days from payment of pertinent renewal fee with submission of all pertinent requirements needed within fifteen (15) days from receipt of renewed Exploration Permit.

  – Grant of a Mineral Agreement for Initial Exploration
    • Shall be granted within a maximum period of 10 weeks from the date of acceptance of the pertinent application; renewal shall be granted within 15 days from payment of pertinent renewal fee with submission of all pertinent requirements needed within fifteen (15) days from receipt of letter-notice approving the renewal of the said Exploration Period.
MINING TENEMENT REFORMS

- CLEANSING OF NON-ACTIVE MINING APPLICATIONS
  - Strict implementation of the Three (3) Letters-Notice Policy with a maximum time interval of 30 days between letters-notice shall be implemented to exact compliance with the requirements for the grant of mining tenements and as ground for denial of mining applications.
  - Denial of Mining Applications due to Rejection of the request for Free and Prior Informed Consent (FPIC). The rejection of a request for FPIC from the IP concerned as certified by the NCIP shall be a ground for the denial of the mining application. Provided that such rejection is carried out in accordance with NCIP’s guideline on securing the FPIC. A mining applicant is allowed a maximum of two (2) attempts to secure the FPIC.
• COMPLIANCE STRENGTHENING

- Minimum exploration expenditure of a contractor or permittee shall be PhP500/hectare/year for metallic minerals
- Failure to implement the 3-Year Development/Utilization Work Program or Exploration Work Program for two consecutive years shall be a ground for cancellation of the mining contract or permit.
- Mineral Agreements with expired Exploration Periods for 5 years or more shall be denied.
- Comprehensive field inspection by the Department shall be required prior to the commissioning of a mining project.
- A resident mine inspector shall be deployed by the MGB in every major project to monitor strict compliance with contractual obligations
MINING TENEMENT REFORMS

• OTHERS

  – Issuance of Area Status and Clearance for Mining Applications shall now be handled by MGB Regional Offices

  – Processing of Mining Applications involved in mining cases or that are the subject of protest/s or opposition/s:

  • The processing of a mining application at the regional level shall continue notwithstanding the protest/s or opposition/s subject to their final resolution and that mining applications that has complied with all the requirements but is involved in a case in the Mines Adjudication Board, maybe approved, upon the resolution of such case by the MAB and upon the posting of bond to protect the rights of the third party/ies, notwithstanding the filing of appeals in the Court of Appeals.
OTHER POLICY REFORMS

• An Administrative Order on the Philippine Mineral/Ore Reserves Reporting Code;

• Reduction in the Processing Time of Environmental Compliance Certificates and Certificate of Non-Coverage;

• Strengthening of the Implementation of the Environmental Responsibilities under the Mining Act (Environmental Protection and Enhancement Program for progressive rehabilitation and the Final Mine Rehabilitation/Decommissioning Plan for mine closure);
OTHER POLICY REFORMS

- An Administrative Order on the Co-processing Hazardous Wastes Materials in Cement Kilns. Drafting of the DAO was initiated by the Cement Manufacturers Association of the Philippines;

- A Guideline for the Implementation of a five-year capacity-building program for LGUs with respect to devolved DENR functions. This will hopefully address our problems with small scale mining; and

- An Administrative Order increasing the allocation for the implementation of the Social Development and Management Programs of mining projects and providing funds for the implementation of programs for the (1) development of mining technology, processing and geosciences and (2) information, education and communication (FOR APPROVAL).
• Joint Memorandum Circular on the Updated Guidelines on the Release of the Share of Local Government Units from the Collections Derived by the National Government from Mining Taxes

• Publication of the updated book - Geology and Mineral Resources of the Philippines;

• Completion of the book on Consolidated DENR Administrative Orders
OUR PLAN OF ACTION
PLAN OF ACTION – SHORT TERM

• SECURITY IN MINING AND EXPLORATION AREAS

  • The Behre Dolbear 2010 Ranking for Mining Investment stated that:

    “The Philippines has dropped two points to a rank of 1 due to renewed violence and unrest in Mindanao, which the government seems unable to deal with in an effective manner”
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PLAN OF ACTION – SHORT TERM

• SECURITY IN MINING AND EXPLORATION AREAS
  • Her Excellency, President Gloria Macapagal-Arroyo ordered the creation of an Investment Defence Force in 2008
  • Minerals Development Council created a Committee on Mining Security with the DILG Undersecretary for Peace and Order and Transnational Crime as Chair
    • Assess the overall mining security situation and to operationalize the Investment Defence Force.
    • Armed Forces of the Philippines and Philippine National Police to establish a joint Mining Security Protocol to guide mining companies in dealing with security threats in their respective area and to formulate long- and short-term preventive measures that can be implemented by companies
PLAN OF ACTION – SHORT TERM

• SECURITY IN MINING AND EXPLORATION AREAS

• In 2009, the MDC Committee on Mining Security conducted:

  • Security briefings/fora in all the country’s 15 regions
  • Participated by 121 mining companies with a total of 400+ participants including other stakeholders;
  • Conducted dialogues with 8 companies with varied security concerns and on-site security survey and evaluation of 2 companies;
  • Primer on Security for Mining Operations under preparation;
  • General Assessment: Mining companies need to improve their security plans.
1. Pave the way for the industrialization of the Philippine Minerals Industry:

a. Promoting downstream processing and manufacturing for copper, nickel, gold and chromite;

b. The development of community-based supplier industries/services;

c. Improving government benefits from mining; and

d. Control on the exports of unprocessed minerals.
2. Continue dialogue with various stakeholders

3. Continue implementation of the Mineral Action Plan

4. Support the initiative on transparency in revenue management

“The current efforts of the Philippine government to revitalize mining is not meant purely to create economic opportunities but also prove that mining as a development option for the country can be both responsible and sustainable.

This is anchored as well to the mining industry’s ability to adopt new business models that balances economic, environmental and social objectives.”