

NIGERIA'S SOLID MINERALS SECTOR: AN OVERVIEW

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**ACCENTURE – Knowledge Event
Monday 19 January, 2009**

THE STATE OF THE SOLID MINERALS INDUSTRY

- Despite Nigeria's rich endowment in solid mineral resources, there is fairly little foreign investment in the sector.
- This is due to a number of factors including:
 - The neglect of the sector following the discovery of crude oil in commercial quantities in the early 1960s
 - Poor legal, regulatory and institutional framework
 - Lack of modern geophysical survey data
- The Federal Government has over the past 10 years made concerted efforts at revamping the solid minerals sector by ensuring amongst other things that under the new dispensation, the government is moving from its traditional role as owner-operator to take on the role of administrator-regulator.

THE STATE OF THE SOLID MINERALS INDUSTRY

- This is evidenced by the privatization of government owned establishments such as the Nigerian Coal Corporation (NCC), the Aluminium Smelter Company of Nigeria (ALSCON).
- The Minerals and Mining Act 1999 was enacted to deal with the deficient legal framework. It provided three year tax holidays, exemption from customs duties, convertibility of foreign currency, and free transferability of funds.
- However, the country's reputation for civil strife, corruption, environmental degradation, fraud, poor infrastructure, and political uncertainty continued to temper international investors' interest in the solid minerals sector.
- The 2007 Minerals and Mining Act repealed the 1999 Act. It was enacted to deal with the shortcomings of that Act such as broad discretionary powers granted to the Minister for Solid Minerals Development on matters relating to the grant of mineral titles.

THE STATE OF THE SOLID MINERALS INDUSTRY

- As part of efforts to to expand the boundaries of knowledge of our mineral potentials and possibilities for investment, the Ministry of Mines and Steel Development is currently running a brand marketing initiative to promote Nigeria's 34 minerals scattered around the 36 states of the Federation.
- Some of these minerals include: Bitumen with an estimated resource of equivalent to 13billion barrels of oil; Coal, with proven reserves of over 639MT, a further 2,750MT inferred and an export potential of 15 million tonnes per annum; Lead; Zinc Gold; Silver; and Iron Ore.

SOLID MINERAL LEGISLATION

- The principal legislation regulating all aspects of the exploration and exploitation of solid minerals in Nigeria is the Minerals and Mining Act 2007.

- Key features:
 - Security of tenure
 - Reduced administrative discretion
 - Prescribed time frames for administrative decisions
 - Simple eligibility requirements for grant of mineral titles
 - Free transferability of title
 - Establishment of the Mining Cadastre Office, independent of the Ministry of Mines
 - Grant of title on a 'first come, first served' basis
 - Principle of 'use it or lose it'
 - Environmental Considerations
 - Rights of host communities
 - Competitive investment incentives
 - Dispute resolution provisions

SOLID MINERAL LEGISLATION

- Other relevant legislation include:
 - **The National Environmental Standards and Regulations Enforcement Agency (Est.) Act 2007 (“NESREA Act”)** – which gives the Agency powers to prescribe effluent limitations and prohibits the discharge of hazardous substances, unless such discharge is permitted under any Nigerian law.
 - **The Environmental Impact Assessment Act 1992** - makes it mandatory to conduct an environmental impact assessment in respect of any proposed project or activity that is likely to significantly affect the environment.
 - **The Nuclear Safety and Radiation Protection Act 1995** - establishes the Nigerian Nuclear Regulatory Authority which has amongst its other functions responsibility for regulating the exploration, mining and milling of radioactive ores and other ores associated with the presence of radioactive substances

SOLID MINERAL LEGISLATION

- **The Explosives Act 1967** - gives the Minister responsible for explosives the power to make regulations in respect of the importation, storage, transport, use, ownership and possession of explosives. No such regulations have been made.
- **The Land Use Act 1978** - designates the use of land for mining purposes as an 'overriding public interest in respect of which the Governor of a state may revoke a right of occupancy.'
- These legislation create the enabling environment for investment without compromising International Best Practice Standards.

KEY PLAYERS IN THE SECTOR, THEIR TARGET AND LOCAL VALUE ADD IF ANY

- The Nigerian solid minerals sector is largely dominated by artisanal and small-scale miners.
- The International Mining Companies such as Rio Tinto, Anglo Gold etc are reluctant to come due the reasons earlier raised
- However the sector can still boast of the presence of companies such as **Central Asia Gold Limited** which recently commenced gold exploration operations in Osun State. It has committed N1 billion (\$7.7 million) so far. Also the **Russian Aluminium** (RUSAL), the world's largest aluminium producer which took over the Aluminium Smelter Company of Nigeria (ALSCON) in 2007 continued with the rehabilitation of the facility and plans to return the plant to full production by 2010.

KEY PLAYERS IN THE SECTOR, THEIR TARGET AND LOCAL VALUE ADD IF ANY

- Mining operators target the international market, with most of the trade being in crude rather than processed ores.
- Due to the fact that the sector is only being redeveloped, there is no significant value addition to the economy. This is however set to change, if government can maintain its current momentum towards revamping the sector.

FEDERAL GOVERNMENT'S CURRENT INITIATIVES TOWARDS THE EMERGENCE OF A VIBRANT MINING INDUSTRY IN NIGERIA.

- In addition, to creating an enabling legal and regulatory framework, other efforts being made include:
 - Recently published airborne geophysical survey data for 44 per cent of the country; The airborne geophysical survey of the rest of the country is currently being carried out under the World Bank's Sustainable Management of Mineral Resources Project in conjunction with the Ministry of Mines and Steel Development.