TARGETING NEW INVESTMENTS IN EGYPT'S MINING SECTOR

Egypt has tremendous mineral potential. With the 4th largest reserves in tantalite and significant deposits of other minerals, Egypt features about 120 ancient gold mines and has calculated reserves of 77.4 tons of gold. Exploration companies estimate that Egypt's golden reserves could reach the 300 tons mark in the coming period.

As a country rich with ores of gold, phosphate, iron, manganese, limestone and ornamental stones, Egypt has struggled to attract new investments to its mining sector. In fact, Egypt imports many of the mineral commodities it needs for local industries. 90 % of Egypt's land has untapped mineral wealth.

BACKGROUND

In December 2014, President Abdelfattah El Sisi adopted Egypt's Mineral Resources Law (#198/2014), replacing a 60-year old mineral wealth law with what was perceived to be a modern, flexible law to enhance Egypt's mining sector.

However, the law was widely criticized for failing to facilitate mine licensing and exploration works. It also caused an overlap between the roles of the Egyptian Mineral Resources Authority (EMRA) and the relevant governorates. Egypt's international gold mining concession in 2017 (the first in 8 years) did not attract participation from the industry's main players, such as Centamin, Aton Resources and Thani Stratex.

In March 2018, the Ministry of Petroleum and Mineral Resources (MoP) hired Wood Mackenzie to assess Egypt's mining sector and develop a mining strategy. Based on their advice, MoP developed a sector development strategy in November 2018 and the Mineral Resources Law was amended in August 2019.

GOVERNMENT STRATEGY

The MoP's strategy aims to encourage new investments in the field of mineral exploration and extraction as well as enhance the mining sector's contribution to Egypt's GDP (currently at 0.5%). The strategy called for the introduction of further legislative reforms, modernizing the financial system, developing the licensing system, reorganizing the mandate of the EMRA, developing a national strategy for exploitation, enhancing human resources efficiency, and implementing a concrete strategy to promote investments in the mining sector.

THE AMENDED LAW- WHAT'S NEW?

On August 7, 2019, Law #145/2019 was adopted, amending the Mineral Resources Law, with the aim of incentivizing new investments in the mining sector. The GoE is currently drafting the new law's executive regulations.

LICENSING AUTHORITY

- The New Urban Communities Authority (NUCA) was granted a role in licensing the exploration and extraction of mines and quarries, alongside the governorates (depending on the exploitation area's geographical scope.)
- Offering areas for the exploration and exploitation of minerals will require a decision of NUCA's Board of Directors and the approval of the 'relevant authority.'
- The 'relevant authority' is defined as the minister in charge of issuing exploration and exploitation permits for mining material, the governor or head of NUCA with respect to the issuance of quarrying and saltpan materials.
- There will be separate contracts and agreements for exploration and extraction.

RENT AND ROYALTY

- EMRA's Board can amend the rent value once every 3 years (instead of every 4 years) with respect to mining material.
- Royalties must be between 5% - 20% of the annual production (instead of a minimum of 5% with no maximum cap).
- The proportion of the governorates' proceeds from royalties increased to 6% (instead of 1%). This fee can be amended for certain projects with the Prime Minister's approval.

PERMITS

- Duration for mine exploration permits may be extended beyond the original 2-year period for 2 additional similar periods (as opposed to 1 similar period). Extension for a 3rd period is possible if EMRA accepts the relevant technical justifications.
- Ban on exploitation permits for quarries in agricultural land was lifted, but the Ministry of Agriculture's authorization is required.
- 15-year cap on natural/industrial saltpans exploitation period lifted.

INVESTMENT INCENTIVES

- Activities regulated under the Mineral Resources Law can be undertaken under the investment zones regime provided in Egypt's Investment Law (#72/2017).
- Projects that undertake mineral resource activities enjoy the general, special and additional incentives contained in Articles 10-13 of the Investment Law. Such incentives include a subtract from taxable net profits of up to 50% of investment costs if the project is undertaken in Egypt's most needy areas.
- It's not clear whether these incentives are limited to only newly established projects, as is the case under the Investment Law.