

Mining in Philippines: Takes a Break?

By Richard Mills

A confluence of events has conspired to halt the issuance of all new mining permits in Philippines. While the industry remains optimistic of movement, their faith is being tested as the delays have reached 6 months.

The main reason for the setback is the appointment of a new Department of Environment and Natural Resources (DENR) secretary earlier in the year. The new person naturally wants to take time to understand the new environment before granting approvals. In this case, even those permits that have been previously approved for issuance by the Mines and Geosciences Bureau (MGB) have been delayed.

The new Secretary Angelo Reyes is said to be particularly cautious this time around because of the current politically charged atmosphere in the Philippines.

First of all, the powerful Roman Catholic church continues to take an active role in denouncing the mining sector for its “evil effects.” Earlier in the year, one church group even demanded the termination of all current and future mining concessions.

The second major controversy that the new secretary is dealing with is related to Lafayette Mining on Rapu Rapu Island. The Australian company’s project reported a minor spill a few months ago and it has found itself in a storm of controversy ever since. As a result of various examinations of the company’s affairs, the full extent of the company’s perks have recently been uncovered. Even the mining industry has been surprised at the full extent of the benefits provided.

Apparently, the Rapu Rapu mine was granted what is called an MPSA permit (Minerals Production and Sharing Agreement) that entails the usual 60/40 joint-venture relationship with a local partner. However, in Lafayette’s case the milling process was separated and the company granted an FTAA permit (Financial or Technical Assistance Agreement) that allowed full foreign ownership – an unusual advantage. More uncommon still, the Philippine Government designated Rapu Rapu Island as an export processing zone so that Lafayette does not have to pay excise taxes. Such perks were originally setup for export manufacturing businesses and usually do not apply to extractive industries like mining.

Given the fire-storm all of this has created, it seems understandable that Secretary Angelo Reyes is being cautious about being seen to be lunging ahead with full-scale mining.

The mining sector in Philippines, which has been one of the most optimistic groups in the country, seems to understand the situation of the government and the new secretary. They are hunkering down until the storm passes without much complaining.

The only comments we hear from them has to do with halting of approvals of new Exploration Permits (EP's). They feel that the risk of environmental damage caused by a few guys wandering around the jungle chipping away at some outcrops in arguably minimal. They have asked the DENR to separate EP's from the others so the long lead time from exploration to production in not interrupted. Government officials have told an industry group that this suggestion will be given the utmost of consideration. In the meantime, the industry waits.

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