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STEEL & MINES DEPARTMENT

NOTIFICATION

The 16th August, 2022

**SUBJECT – LONG TERM LINKAGE (LTL) POLICY OF MINERALS FOR ODISHA
BASED INDUSTRIES THROUGH ODISHA MINING CORPORATION
LIMITED (OMC) – 2022**

No.7865–24561800032017/SM.— Whereas, since more than 1/3rd of the Iron ore reserves, more than 50% of Bauxite reserves and over 90% of country's Chromite ore reserves among other minerals are found in the state of Odisha. Odisha is the largest Iron ore producing state in India having more than 55% share in Iron ore production and almost 100% of chrome ore is also being produced in the State of Odisha only. The proactive initiative of the State Government for Industrial Facilitation has attracted both Domestic and Foreign Companies for setting up Mineral based Industries in the State.

And, whereas, many companies have come forward for installation of mineral based plant (e.g. Integrated Steel Plant, Pellet plants, Aluminium plants, Downstream and ancillary units, etc.) within the State of Odisha. Many of the plants have already started production and many more are in the process of getting the requisite clearances.

And, whereas, over the last few years the State Government of Odisha have taken many initiatives for ensuring raw materials supply to such industries, the assured availability of raw materials particularly Iron ore, Chromite ore, Bauxite ore and other minerals has become a matter of great importance for the growth of Metals industry (primarily Steel, Stainless Steel, Aluminium) in the state. Also, in order to provide the impetus for conversion of Primary metals to downstream finished products, it has become even more critical now to ensure raw material security to important Metals downstream and ancillary units.

And, whereas, the State Government have laid down the procedure to provide Long Term Linkage for Iron and Chromite Ore and Bauxite to the MoU signed with Steel Plant companies (including Stainless Steel/ Sponge Iron/ Pellet manufacturing/ Ferro-Alloy companies) and other Metal companies (Alumina/ Aluminium), of Odisha through Odisha Mining Corporation Ltd. for sustained supply of raw materials over a period of five years extendable to further period(s) of five years each vide Notification No. 1462 dated the 17th September 2014.

And, whereas, in order to address the practical problems faced in course of implementation of the aforesaid notification, the Government have made periodic modifications/ changes vide Steel & Mines Notification No. 641 dated the 30th April, 2015, Notification No. 1599 dated the 20th November, 2015, Notification No. 1412 dated the 10th August, 2016, Notification No. 292 dated the 24th February, 2018, Notification No. 427 dated the 20th February, 2020.

And, whereas, in last two years after expiry of merchant mining leases in March-2020, Odisha Govt. has proactively auctioned most of the expired leases and many of the leases have already started production. During the auction process, many of the merchant mining leases were taken over by captive plant owners, which resulted in shortage of raw material for Steel in open commercial market.

And, whereas, OMC, as a responsible State Government PSU in Odisha, has increased its supply of minerals (Iron ore, Chromite ore, Bauxite ore) in the market by enhancing its production from existing mines and making new mines operational. OMC has increased its production from 17.12 MT in FY21 to 31.73 MT in FY22. OMC has planned to increase its production further in near future, and OMC aspires to achieve the 50MTPA production mark by the close of FY 2024-25. In order to facilitate the dispatch of such high volume of minerals, it is important to make changes in the existing LTL Policy.

Therefore, in supersession of previously approved LTL Policy vide Notification No. 1462 dated 17th September 2014 as amended by the Notification No. 641 dated the 30th April, 2015, Notification No. 1599 dated the 20th November, 2015, Notification No. 1412 dated the 10th August, 2016, Notification No. 292 dated the 24th February, 2018, Notification No. 427 dated the 20th February 2020 and all other notifications / orders issued in this regards, the revised Long Term Linkage (LTL) Policy of Iron ore, Chromite ore, Bauxite ore,

and other minerals for relevant end-user industries through Odisha Mining Corporation limited (OMC) – 2022 is hereby adopted.

Therefore, the State Government have been pleased to decide that long-term linkage will continue to be provided to the State based industries through OMC Ltd. for sustained supply of minerals in accordance with the following guiding principles:

(A) GENERAL PRINCIPLE:

- (a) The long-term linkage should be for 5 years with provision for annual review based on the performance of the linkage in terms of off take trends, plant capacity enhancements, regularity of off take and ability to make payments on time, etc. At the end of 5 years, the contract may be renewed for eligible buyers for another 5 years as per the LTL Policy.

Provided that in the cases where an intending eligible buyer, being a State-based end user industry, desires and undertakes to set up a mechanized ore evacuation system for transporting the mineral ore from a particular mine(s) of the OMC for processing by the said industry, and OMC considers such proposal to be acceptable, the duration and other terms and conditions of the long term linkage may be decided between OMC and the eligible buyer concerned by mutual agreement after obtaining prior approval of the Allotment Committee.

- (b) Quantity to be assured under long-term linkage should be determined by an **Allotment Committee** consisting of the following officers :
- | | | |
|------|-------------------------------------|-------------------|
| i. | Secretary, Steel & Mines Department | – Chairman |
| ii. | Secretary, Industries | – Member |
| iii. | Director of Mines, Odisha | – Member |
| iv. | MD, IPICOL | – Member |
| v. | MD, OMC | – Member Convenor |
- (c) While deciding the linkage quantity, the authorized production capacity of the end users' own mines and the quantity of long-term purchase agreements made by the end-user with other lessees within the State shall be deducted from the requirement and the balance requirement only may be committed under long-term linkage from OMC.
- (d) In case the end-user Industry is unable to produce the mineral in its own lease as per the 'authorized production capacity' (maximum limit up to the approved EC capacity) due to reasons beyond its control, the Committee may allow

linkage of shortfall quantity by OMC through annual supply agreement to such eligible State-based end-user Industry.

- (e) The Minerals remaining unsold by OMC, after meeting the requirement of LTL buyers and Annual supply agreement buyers and the successful e-auction bidders, may be disposed by OMC in such manner and at such prices as may be decided by the Corporation, including export to overseas buyers directly or through canalizing agencies like MMTC Ltd.
- (f) In the National e-auction for minerals, the end-user Industries may be encouraged to participate while traders must be discouraged, as far as possible. Participation of traders may be considered by OMC only if there is persistent lack of adequate response from end-user Industries.

(B) IRON ORE LINKAGE

- (a) Not less than 50% and not more than 80% of saleable stock will be placed under the Long-term Linkage. Quantities offered but not lifted by the allottees may be disposed through the National e-auction. The exact percentage of saleable stock to be earmarked for long-term linkage shall be fixed by OMC taking into account its production, the demand from the State-based end-users, and also availability of prevalent evacuation infrastructure for individual mine.
- (b) The remaining saleable stock shall be sold through National e-auction to be conducted by OMC at suitable time intervals, i.e. monthly/bi-monthly/quarterly/ or as deemed fit by OMC, for the price discovery.
- (c) Weighted average price derived from the National e-auction will be the long-term linkage price for the relevant grades of Iron ore.
- (d) State-based end-user plants having long-term linkage can also take part in the National e-auction.
- (e) Within end-user Industries, BF-BOF based and DRI-EAF based Integrated Steel Plants (ISP's) will be given priority over others.
- (f) End-user Industries, which are already in operation, will be given preference over End-user Industries which are yet to be commissioned.
- (g) The Allotment Committee constituted under this notification will determine the manner in which priority or preference will be given effect to amongst various categories of end-users.

(C) CHROMITE ORE LINKAGE

- (a) Up to 80% of the saleable stock shall be made available for long-term linkage to State-based end-user Industries.

- (b) The remaining saleable stock shall be sold through National e-auction to be conducted by OMC at suitable time intervals, i.e. monthly / bi-monthly / quarterly / or as deemed fit by OMC, for the price discovery.
- (c) Weighted average price derived from National e-auction shall be the long-term linkage price for relevant grades of Chromite ore.
- (d) State-based end-user plants having long-term linkage can also take part in the National e-auction.
- (e) OMC will endeavour to meet requirements of Chromite ore supply to the State-based Industries.

(D) BAUXITE LINKAGE

- (a) Up to 80% of the saleable stock shall be made available for long-term linkage to the state-based end-user Industries
- (b) The remaining saleable stock shall be sold through National e-auction to be conducted by OMC at suitable time intervals, i.e. monthly / bi-monthly / quarterly / half yearly / or as deemed fit by OMC, for the price discovery.
- (c) Weighted average price derived from the National e-auction shall be the long-term linkage price for the relevant grades of Bauxite ore.
- (d) State-based end user plants having long-term linkage can also take part in the National e-auction.
- (e) Floor price for the National e-auction may be fixed as per Rule 45 of Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 as amended from time to time or as per the notification issued by the State Govt.

OMC will execute sale agreements with the long-term linkage buyers, which should not be inconsistent to the provisions of this notification.

This Notification shall come into effect immediately.

By Order of the Governor
D. K. SINGH
Principal Secretary to Government

