

11/7/2019
JDM/LT

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**Government of Odisha
Department of Steel & Mines**

No. 4860 /SM, Bhubaneswar, Dated the 10-7-2019
VSL 18/14 PT.I

From

Sri B.N.Barik
Under Secretary to Government

To

✓ The Director of Mines, Odisha, Bhubaneswar



Sub: Hosting of the "**Long Term Linkage Policy (LTL) as amended till date**" on the website of Steel & Mines Department.

Sir,

I am directed to enclose here with a copy of the "**Long Term Linkage Policy (LTL) as amended till date**" and request you to take suitable steps to host this updated LTL Policy on the Departmental website of Steel & Mines Department in the appropriate manner immediately.

This may be treated as "**Most Urgent**".

Yours faithfully,

B.N. Barik
10.07.19

Under Secretary to Government

Memo No. 4861 /SM,

dt. 10-7-2019

Copy along with copy of the enclosure forwarded to the MD, OMC Ltd./Director of Steel, Steel Directorate for information and necessary action.

B.N. Barik
10.07.19

Under Secretary to Government

Memo No. 4862 /SM,

dt. 10.7.2019

Copy along with copy of the enclosure forwarded to All Officers, Steel & Mines Department/ Advisor Steel, Steel & Mines Department /All Sections, Steel & Mines Department for information and necessary action.

Bar Bani
10.07.19.

Under Secretary to Government

Long Term Linkage (LT L) Policy as amended till date.

Subject: Long term Linkage of Iron, Chrome Ore and other minerals to the eligible State-based end-user Industries¹ of Odisha through M/s Odisha Mining Corporation Ltd.

S.R. No.445/2014- Whereas, since more than 1/3rd of the iron ore reserve and over 90% of country's chrome ore deposits among other minerals are found in the state, the pro-active 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, in the process, out of the 49 nos. of MoUs signed by this Department with prospecting investors for iron and Steel Industries, already 31 nos. of units have either fully or partially started the production. Similarly, in case of Aluminium Projects, Government has signed MoUs with few companies. These Industries having fulfilled their part of commitment, are expecting the State Government to fulfil its part of commitment especially with reference to making arrangement for meeting their requirement of raw materials.

And Whereas, the State Government have taken many initiatives as depicted below for ensuring raw materials supply to such industries, the assured availability of raw materials particularly iron, chrome ore and other minerals has become a matter of concern.

1. Subs. S.R.O. No. 156/2015 dt.30th April, 2015 (w.e.f 02nd May 2015).

The subject line of the notification before substitution stood as under :

"MoU signed steel plant companies"

- (a) State Government vide notification dated the 18th September, 2012 have decided to reserve all the free areas bearing iron, manganese, chrome & bauxite ore for prospecting & mining through OMC Ltd.
- (b) Vide notification dated the 3rd October, 2012, captive requirement has been taken as one of the conditions of mineral development to decide on second and subsequent renewal of mining leases.
- (c) As per order dated the 5th December, 2012 of the State Government, the mining leases are required to earmark and dispose of 50% of the raised iron ore not put to captive use, within the State for consumption by State based industries. Subsequently, pursuant to order dated the 2nd April, 2014 of the Hon'ble High Court of Orissa passed in W.P.(C) No. 20774 /2013 and other similar writ petitions, upholding the said order dated the 5th December, 2012, the notification dated the 26th June, 2014 has been issued prescribing the mechanism for such supply. The implementation of 50% mineral produced to be supplied to the State based Industries is accordingly under process.

And Whereas, in spite of aforesaid measures, the supply and price of raw material has exhibited strong volatility thereby bringing in the apprehension of financial uncertainty and instability for the industries. Moreover, the issue of assured raw material through long term linkage has also been agitated by various industries not only before the State Government but also time and again during the reviews done by the Project Monitoring Group of Cabinet Secretariat on Infrastructure Development.

Hence, in view of the above, the State Government has been pleased to approve the policy for long-term linkage for the State based industries through OMC Ltd. for sustained supply of raw materials over a period of five years extendable to further period(s) of five years each. And the guiding principle of such long-term linkage is as follows:—

(A) GENERAL PRINCIPLE:

- (a) The long-term linkage should be for 5 years *with provision for annual review based on the performance*² .
- (b) Quantity to be assured under long-term linkage should be determined by a committee constituted for the purpose by the State Government⁴ .
- (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*³ .
- (d) *In case the end-user Industry is unable to produce the mineral in its own lease as per the 'authorized production 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*⁵ .
- (e) *The Minerals remaining unsold by OMC after meeting the requirement of LTL and annual supply agreement buyers and the successful e-auction bidders may be disposed by OMC in such manner and at in such prices as may be decided by the Corporation, including export to overseas buyers directly or through canalizing agencies like MMTC Ltd*⁵ .
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2. Inserted by S.R.O. No.156/2015 dt.30th April, 2015 (w.e.f 02nd May 2015). Before insertion stood as under:

"The long term linkage should be for 5 years"

3. Subs. by S.R.O. No.156/2015 dt.30th April, 2015 (w.e.f 02nd May 2015). Before substitution stood as under:

"While deciding the linkage quantity, production from captive mines, if any, shall be taken into consideration and the balance requirement should be committed under long-term linkage."

4. Subs. by S.R.O. No.551/2015 dt.18th November, 2015 (w.e.f 20th November, 2015). The clause, before substitution stood as under:

"quantity to be assured under long-term linkage should be determined by a committee consisting of the following officials.

- (i) Secretary, Industries ---Chairman
- (ii) Director of Mines, Odisha ---Member
- (iii) CMD, IPICOL---Member
- (iv) Chairman/MD, OMC ---Member-convenor

5. Inserted by S.R.O. No.366/2016 dt.10th August, 2016.

(f) *In the National e-auction for minerals, traders should be discouraged and normally, the end-user Industries should be allowed to participate, as far as possible. Participation of traders should normally be considered only if there is persistent lack of adequate response from end-user Industries*⁶

(B) IRON ORE LINKAGE

(a) *Not less than 50% and not more than 70% 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 the OMC taking into account its production and the demand from the State-based end users*⁷

(b) *The remaining [***]⁸ saleable stock shall be sold through National e-Auction to be conducted by OMC at suitable intervals i.e. monthly /bi-monthly/quarterly.*

(c) *Weighted average price derived from the National e-Auction will be the long-term linkage price for the appropriate grades.*

(d) *[End-user Industries]⁹, Public sector undertakings and smaller sized eligible State-based end-user Plants, which were not eligible for entering into MoU due to smaller size of the project, will be eligible for long-term linkage. These Plants will also be eligible to participate in the National e-auction*¹⁰

(e) *Within [the End-user Industries]⁹, Blast Furnace based integrated Steel Plants will be given priority over others.*

6. Inserted by S.R.O. No.1323/VSL-18/14/SM dt.24th February, 2018 (w.e.f 26th February, 2018).

7. Subs. by S.R.O. No.156/2015 dt.30th April, 2015 (w.e.f 02nd May 2015). The clause, before substitution stood as under:

"50% of saleable stock will be placed under long-term linkage for MoU-signed steel plants."

8. The figure 50% omitted by S.R.O. No.156/2015 dt.30th April, 2015 (w.e.f 02nd May 2015).

(f)[End-user Industries]⁹ which are already in operation will be given preference over [End-user Industries]⁹ which are yet to be commissioned.

*The 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*¹¹

(C) CHROME ORE LINKAGE

(a) 70% of the saleable stock shall be made available for long-term linkage to State-based end-users.

(b) The remaining 30% of saleable stock shall be sold through National e-Auction.

(c) Weighted average price derived from National e-Auction shall be the long-term linkage price for appropriate grades.

(d) State-based end-user plants having long-term linkage can also take part in the National e-Auction.

(e) OMC shall ensure requirement of Chromite supply to all State based Industries.

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9. Earlier words "MoU signed Steel Plants" were substituted by S.R.O. No.551/2015 dt. 18th November, 2015 (w.e.f 20th November, 2015) "for end-user industries.

10. Subs. by S.R.O. No.156/2015 dt.30th April, 2015 (w.e.f 02nd May 2015). The clause, before substitution stood as under:

"Mou-signed Steel Plant with whom long-term linkage will be established by OMC can take part in the National e-auction."

11. Inserted by S.R.O. No.156/2015 dt.30th April, 2015 (w.e.f 02nd May 2015).

(D) BAUXITE LINKAGE¹²

(a) 70% of the saleable stock shall be made available for long-term linkage to the state-based end-users and the remaining 30% shall be sold through national e-auction to be done every six months for price discovery.

(b) Weighted average price arrived at from the national e-auction should be the long term linkage price for the appropriate grades of mineral. State –based end user plants having long-term linkage can also take part in the auction.

(c) Floor price for the national e-auction may be fixed at the cost of production plus margin of profit of 50%.

The OMC will execute sale agreements with the long-term buyers, which should not be inconsistent to the provisions of this notification¹³.

12. Inserted by S.R.O. No.1323/VSL-18/14/SM dt.24th February, 2018 (w.e.f 26th February, 2018).

13. Subs. by S.R.O. No.551/2015 dt.18th November, 2015 (w.e.f 20th November, 2015). The last paragraph in the notification No.1462, dated 17th September, 2014 stood as under:

“ Further, the sale agreement shall be executed in the model form-‘A’ for iron ore and in model form ‘B’ for chrome ore, as attached to this notification. The OMC will devise similar sales Agreement for other minerals like bauxite , manganese etc.”

This Notification shall come in to effect immediately.

By the order of the Governor

Commissioner-Cum-Secretary to Government