Subsoil Use Reform:

transparency, progressiveness, attractiveness

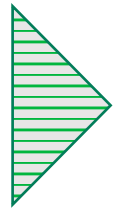


Draft Law 4187
(modified)

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Reform is needed to increase investment attractiveness and improve the quality of subsoil use regulation

Tasks	Measures
1. Ensuring transparent, user-friendly and equal rules for access to mineral resources	• Deregulation and digitalization of the licensing procedure – establishment of the Ukrainian Geological Survey (UGS) as a service provider
2. Up-to-dateness of industry regulation using international best practices	• Upgrading the rules of the game
3. Increasing transparency of state control and publicity of information	• Clarity of regulatory requirements and impartial audit



Goals

Growth of business activity

Creating new jobs

Increase in revenues to state and local budgets

Expediting and simplifying the access to raw materials requires deregulation and digitalization of licensing procedures

1



- **Digital-approach «in a single click»**
  - Submission of documents and reporting in the e-cabinet
  - Interactive map of mineral deposits
  - Online auctions in the Prozorro e-system
- **Deregulation – a license within 50 days, start of production in 5 months**
  - Cancellation of the duplicating license procedures – 90 days *(mining allotment*, approval by the UGS of the deposit development projects and putting into effect minutes of the State Commission of Ukraine on Mineral Resources, as well as approvals of Minecology after disclosure of the data on nature reserves will be completed)*
  - Removal of excessive responsibilities – 45 days *(approval of granting into use of minerals of local importance)*
  - Support of «small subsoil use» – non-auction granting of the licenses for the development of minerals of the local importance for owners of land up of 25 ha

* Except for underground mining works

New rules for subsoil use should become progressive, attractive and predictable for the investor

2

- **Liberalizing distribution of the licenses**
  - Free transfer/assignment of the rights for subsoil use*
  - Introduction of restrictions according to the provisions of the Law «On sanctions»
- **Predictable licensing procedure**
  - Setting out the list of non-auction cases in the law
  - Introduction of comprehensive (end-to-end) licenses for exploration and production
  - Automated calculation of the cost of license and geoinformation
- **Adaptation of the world's generally accepted canons**
  - Right to conduct reserve estimation under international standards
  - Transition to WGS-84 coordinate system
  - Extension of all licenses free of charge, in the case of extraction of not less 5% of the deposit's reserves
- **Land Allocation**
  - Applying servitude without changing the purpose of land use in case of building infrastructure related to the development of subsoil, including one of local importance
  - Simplified access to land though servitudes and lease of state and communal lands for license owners

* Certain restrictions apply to state enterprises



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Access to the subsoil must be transparent, and the activities of the subsoil user must be publicly accountable

- **The Unified State Electronic Geoinformation System of Subsoil Use will display:**
  - Information about operating and unlicensed parcels
  - Balance reserves and minutes of the State Commission of Ukraine on Mineral Resources
  - Volumes of annual mineral production
  - Land plots and nature reserve fund
  - Oil and gas wells; artesian wells
  - Geological reports and records on primary geological information
  - Register of geological exploration works
  - Register of applications for auctions and their contours
  - …

- **Prevention of the emergence of "dormant" licenses and a clear procedure for their cancellation and suspension**
  - Prohibition on the extension of a license in case of absence of mining
  - Determined deadlines for review and grounds for amending the work programs
  - Impartial grounds for stopping the use of subsoil without a court

- **Ensuring the right to calculate the amount of compensation for damages caused to the state as a result of unauthorized use of the subsoil**

