

Energy & Natural Resources - Argentina

Argentina takes steps to encourage sustainable, responsible mining

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Comment

Historically, mining and drilling for hydrocarbons in Argentina have met considerable opposition. However, recognising its economic benefits, the government has recently taken steps to promote the resources industry in a sustainable way that aims to give a real economic return to the provinces in which such activities are located. It is hoped that the new measures will provide a simplified process and alleviate some of the activists' concerns.

Background

At a national political level, there is widespread support for mining and drilling for hydrocarbons. The Argentine government is aware that Chile has had great success in promoting mining in areas with a similar geological composition to its own territory. The challenge has always been how it can enjoy the same success while minimising the negative impact on other parts of the economy and the environment.

In Argentina, the opportunity cost for resource extraction activities can be more significant than in other countries. Argentina's major mineral and hydrocarbon deposits are located along the Andes border with Chile, an area that also contains some of the country's most touristic and picturesque areas. Many people who are not involved in the industry have protested against such activity, claiming that it is bad for the environment and offers them little or no economic benefit.

Forms of participation

The Argentine mining market is undoubtedly heating up. In 2011 it had its most successful year ever, with the Secretariat of Mining reporting that investment in the sector reached a record high of \$11 billion. It also reported record exploration activity, with over 1 million cubic metres explored across 614 projects and exports amounting to \$16 billion.

In order to ensure that the local community is involved and benefits more directly from resource extraction, a number of Argentine provinces are in the process of exploring and implementing ways to boost participation in the resources sector. One method has been to create state-owned companies that will act as partners and stakeholders in the exploration and exploitation process. To date, seven provinces have created these state-owned companies - Chubut, Jujuy, La Rioja, Neuquen, Salta, San Juan and Santa Cruz.⁽¹⁾

The provinces are also resorting to other devices in order to increase their participation in the benefits produced by the mining industry. For example, mining trusts have been created through special funds provided by companies undertaking mining projects. In 2009 San Juan became the first province to constitute a mining trust aimed at financing different public works (eg, hospitals, sports centres and waste treatment plants).⁽²⁾ Other provinces - such as Chubut, Catamarca and Mendoza - have also expressed their intention to develop projects involving trusts.

Furthermore, at both a national and a provincial level, legislatures have introduced bills aimed at amending the methods used to assess royalties. With the increase in the prices of commodities over the past decade, the rates established in the 1990s - which range from 0% to 3% - are arguably outdated.⁽³⁾ Municipal governments have been pressing in favour of reform, as they see this as an important source of income.

Inter-governmental framework bodies

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The governments of resource-rich provinces have also recently established two bodies to promote the development of the resources sector, create work for local businesses and preserve natural resources and the environment. For mining, the newly created body is called the *Organización Federal de Estados Mineros* (OFEMI) and for hydrocarbons the body is called *Organización Federal de Estado Productores de Hidrocarburos*.⁽⁴⁾

Further support for Argentine mining will be achieved through the Agreement for Federal Mining Development, which was entered into between the federal government and 10 of the major mining provinces. This agreement provides that the federal government and the signatory provinces will implement a national mineral policy consensus. Further, it formally recognises OFEMI as an advisory body for the formulation and implementation of the national mining policy.⁽⁵⁾

Comment

The new measures taken by Argentina will be positive for the development of the country's resources sector. The changes will undoubtedly open up greater possibilities for companies to operate successfully in the Argentine market. The economic concerns of anti-mining activists should be effectively dealt with by these changes. Although resources companies are often some of the most socially responsible investors in Argentina, the recent changes will provide the general population with an assurance that this will continue to be the case in future. Accordingly, resources companies should face fewer obstacles moving forward.

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Endnotes

(1) MDZ - Dinero, "¿Se viene la minería estatal en la Argentina, con las provincias en el negocio?" www.mdzol.com/mdz/nota/351398/.

(2) Mining Press, "San Juan prevé recaudar más por regalías mineras. Qué obras se hicieron con los fideicomisos", www.miningpress.com/articulo.php?id=88981 and Genovitas, "San Juan recaudó más de 73 millones en fideicomisos", www.geonavitas.com.ar/es/noticias/mineria/argentina/18416-san-juan-recaudo-mas-de-73-millones-en-fideicomisos-.html

(3) Mining Press, "Santa Cruz: Peralta quiere aumentar las regalías mineras", www.miningpress.com/articulo.php?id=87735.

(4) Mining Press, "Qué dice el acta fundacional de la OFEMI", www.miningpress.com/articulo.php?id=87411.

(5) Mining Press, "Nació la OFEMI y se viene el 'Acuerdo Federal Minero'. Hablan los gobernadores: Fellner, Buzzi, Pérez, Gioja, Urtubey", www.miningpress.com/articulo.php?id=87370.

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