



Republic of the Philippines  
**House of Representatives**  
Quezon City, Metro Manila

Seventeenth Congress  
First Regular Session

HOUSE BILL NO. **3229**

HOUSE OF REPRESENTATIVES

**RECEIVED**

22 AUG 2016

DATE:

TIME:

BY:

REGISTRATION UNIT  
BILLS AND INDEX SERVICE

Introduced By:

**REP. FRANCISCO JOSE F. MATUGAS II**

1<sup>ST</sup> District, Surigao del Norte (*Siargao Island*)

#### EXPLANATORY NOTE


The Philippines is the fifth most mineral-rich country in the world for gold, nickel, copper, and chromite. It is home to the largest copper-gold deposit in the world. The country has an estimated \$840 billion worth of untapped mineral wealth. The country's metal deposit is estimated at 21.5 billion metric tons and non-metallic minerals are at 19.3 billion metric tons.

In 2013, the Philippines accounted for 17% of the world production of mined nickel, and 3% of mined cobalt. The country also produced other mineral commodities, such as cement, chromium, copper, gold, marine salt, and silver. In the same year, however, mineral exports of selected metals from the Philippines amounted to only \$2.67 billion. This included copper, gold, and nickel. This is equivalent to only about 1.08% to the Philippines' gross domestic product (GDP).

It has been pointed that the insignificant contribution of the mining industry to the Philippine economy is attributable to the lack of a definite program to develop the downstream mining industry and a failure to maximize the benefits or value-added from mining. Indeed, most of the mineral ores mined from the country are exported to other countries without being processed first.

To address this problem, the State must adopt a strategy for the industrialization of the mining industry, including the promotion of the processing of mineral ores and other downstream activities. Even the Speaker of the House of Representatives, during his acceptance speech, considered this matter as a priority for the current Congress. This way, we can maximize the potential that mining can contribute to the economy.

Thus, the approval of this bill is earnestly sought.

  
FRANCISCO JOSE F. MATUGAS II



Republic of the Philippines  
**House of Representatives**  
Quezon City, Metro Manila

Seventeenth Congress  
First Regular Session

HOUSE BILL NO. **3229**

---

INTRODUCED BY REPRESENTATIVE FRANCISCO JOSE F. MATUGAS II

---

**AN ACT PROMOTING THE DEVELOPMENT OF MINERALS PROCESSING  
AND IN THE PROCESS BANNING THE EXPORT OF UNPROCESSED  
MINERAL ORES, AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:*

1       **Section 1. Development of Minerals Processing.** - The State shall promote  
2 industrialization and full employment through industries that make full and  
3 efficient use of human and natural resources, and which are competitive in both  
4 domestic and foreign markets.

5  
6       The State recognizes that the revitalization of the mining industry can  
7 contribute greatly to the country's industrialization. The State shall therefore,  
8 promote the development of Minerals Processing to maximize the benefits or value-  
9 added from mining. Towards this end, it shall encourage the establishment and  
10 development of mining firms and manufacturing plants that will utilize locally  
11 processed products and process mineral ores first before exporting them to other  
12 countries.

13  
14       **SEC. 2. Entities Engaged in Minerals Processing.** - For purposes of this Act, an  
15 individual, partnership, cooperative, corporation or other entity shall be considered  
16 as one engaged in Minerals Processing if it is engaged in the milling, beneficiation or  
17 upgrading of ores or minerals and rocks or similar means that convert the same into  
18 marketable products. It shall not include processes where the ore or minerals and  
19 rocks merely undergo a process or technology, without which, the resource will not  
20 be developed or the mining activity could not be possibly undertaken such as  
21 sorting, crushing, washing, drying and other similar activities. For nickel, chromite

1 and iron, an additional processing step that will add further value to the mineral end  
2 product such as, ferro-nickel, mixed sulfides, nickel pig iron, ferrochrome or  
3 refractory bricks, shall be required before the entity can be considered as engaged in  
4 minerals processing.

5  
6 **SEC. 3. Minerals Processing Permit.** - No individual, partnership, cooperative,  
7 corporation or other entity shall engage in the processing of minerals without first  
8 securing a Minerals Processing Permit (MPP) from the Department of Environment  
9 and Natural Resources.

10  
11 In the case of small-scale miners, the processing of mineral ores and minerals  
12 they produce, as well as the licensing of their custom mills or processing plants, shall  
13 continue to be governed by the provisions of Republic Act No. 7076 and P.D. No.  
14 1899 and their implementing rules and regulations.

15  
16 In the case holders of Quarry and Industrial Sand and Gravel Permits, the  
17 approved Work Program for the production period shall be sufficient requirement  
18 for them to process their minerals in lieu of an MPP: *Provided, That*, they shall secure  
19 an MPP within six (6) months from the effectivity of this Act.

20  
21 In the case of individuals, corporations, partnerships, cooperatives or other  
22 entities who are parties to a Mineral Agreement or a Financial or Technical  
23 Assistance Agreement, they shall secure an MPP within six (6) months from the  
24 effectivity of this Act if they intend to put up their own minerals processing plant:  
25 *Provided, That*, if said entities do not intend to put up their own processing plants,  
26 said entities shall at all times during the existence of the mineral agreement have an  
27 existing and valid contract with a legitimate minerals processing plant for the  
28 processing of mineral ores mined under the mineral agreement.

29  
30 The terms of an MPP shall be for a period of ten (10) years, renewable for like  
31 periods: *Provided, That*, the renewal of an MPP shall not be allowed unless the permit  
32 holder has complied with all the terms and conditions of the MPP and has not been  
33 found guilty of violation of any provisions of Republic Act No. 7942, or the  
34 Philippine Mining Act of 1995, and its implementing rules and regulations.

35  
36 After due process, an MPP may be suspended, revoked or cancelled by the  
37 Department of Environment and Natural Resources for violation of its terms and  
38 conditions, or of pertinent laws, rules and regulations.

39  
40 **SEC. 4. Incentives.** - Minerals Processing, as defined under Section 2 of this Act,  
41 shall be included every year in the Investment Priorities Plan to be prepared by the  
42 Board of Investments in accordance with Executive Order No. 226, as amended,  
43 otherwise known as the Omnibus Investment Code of 1987 and shall always be  
44 listed as a preferred area of investment. Before being entitled to the foregoing

incentives, the entity involved shall be registered with the Board of Investments and satisfy the requirements for registration provided for under Article 32 of Executive Order No. 226.

Individuals, partnerships, cooperatives, corporations or other entities engaged in Minerals Processing shall be entitled to the incentives provided for under Chapter XVI of Republic Act N0. 7942 or the Philippine Mining Act of 1995, including those on incentives for pollution control devices, income tax- carry forward of losses, income tax-accelerated depreciation, and investment guarantees.

**SEC.5. *Additional Incentives to Entities Who Can Generate Their Own Power.*** - An individual, partnership, cooperative, corporation or other entity engaged in Minerals Processing shall be entitled to generate its own electricity: *Provided, That,* it shall comply with all pertinent laws, particularly those being implemented and enforced by the Department of Energy. If such an entity shall meet all or seventy percent (70%) of its own energy requirements, said entity shall be entitled to the additional fiscal incentives to be determined by the Department of Trade and Industry in the Implementing Rules and Regulations of this Act.

**SEC. 6. *Expenditure for Community Development and Science and Mining Technology.*** - The grantee of an MPP shall assist in the development of the community in which its processing plants are established, the promotion of the general welfare of its inhabitants and the development of science and mining technology. Activities that may be credited as expenditures for development of the community, and science and mining technology are the following:

- a) Any activity or expenditure intended to enhance the development of the community other than those required or provided for under existing laws, or collective bargaining agreements, and the like; and
- b) Any activity or expenditure directed towards the development of geosciences and mining technology such as, but not limited to, institutional and manpower development, and basic and applied researches. Appropriate supervision and control mechanisms shall be prescribed in the implementing rules and regulations of this Act.

**SEC. 7. *Training and Development.*** - The grantee of an MPP shall maintain an effective program for manpower training and development throughout the effectivity of its MPP and shall encourage and train Filipinos to participate in all aspects of its operations, including the management thereof.

**SEC. 8. *Safety and Environmental Protection.*** - The grantee of an MPP shall strictly comply with all safety rules and regulations as may be promulgated by the Department of Environment and Natural Resources concerning the safety and



1 sanitary upkeep of its operations. Said grantee shall also undertake an  
2 environmental protection and enhancement program covering the period of its MPP.  
3 Such environmental program shall be incorporated in the Work Program which the  
4 grantee shall submit as an accompanying document to its application for an MPP.

5  
6 Before being granted an MPP, the applicant shall be required to procure an  
7 Environmental Clearance Certificate based on the environmental impact assessment  
8 and procedures under the Environmental Impact Assessment System including  
9 Sections 26 and 27 of the Local Government Code of 1991 which require national  
10 agencies to maintain ecological balance, and prior consultation with local  
11 government units, nongovernmental and people's organizations and concerned  
12 sectors of the community.

13  
14 **SEC. 9. *Ban on the Exportation or Direct Shipping of Metallic Ores.*** - Minerals  
15 Processing shall be prioritized by the State. For this purpose, it shall be unlawful for  
16 any individual, partnership, cooperative, corporation or other entity, to export or  
17 directly ship to any foreign country unprocessed mineral ores extracted from any  
18 mining site in the Philippines.

19  
20 **SEC. 10. *Penalty for Violation.*** - Any person who exports unprocessed mineral  
21 ores shall, upon conviction, be imprisoned from six (6) years to one (1) day to twelve  
22 (12) years and fined an amount equivalent to twice the value of the seized mineral  
23 ores. In addition, the cargo containing the unprocessed mineral ores shall be  
24 confiscated in favor of the State. If the offender is a corporation, association,  
25 partnership or any juridical person, the penalty shall be imposed upon the  
26 responsible officers, as the case maybe, who participated in the commission of the  
27 offense. If the offender is an alien, he shall, in addition to the penalty herein  
28 prescribed, be deported without further proceedings after serving the prescribed  
29 penalties.

30  
31 **SEC. 11. *Transition Period.*** - The period from the approval of this Act until 1  
32 January 2021 shall be considered the transition period to prepare the mining  
33 industry for the total ban on the export and direct shipping of mineral ores. The  
34 Department of Trade and Industry, and the Department of Environment and  
35 Natural Resources shall develop the necessary guidelines during the transition  
36 period to ensure that the mining industry is adequately prepared for the eventual  
37 ban on export and direct shipping of ores.

38  
39 **SEC. 12. *Implementing Rules and Regulations.*** - Within six (6) months from the  
40 effectivity of this Act, the Department of Environment and Natural Resources and  
41 the Department of Trade and Industry shall promulgate the necessary rules and  
42 regulations for the effective implementation of this Act. Such rules and regulations  
43 shall take effect upon its publication in two (2) newspapers of general circulation.

1       **SEC. 13. *Separability Clause.*** - If for any reason, any provision of this Act is  
2 declared to be unconstitutional or invalid, the other sections or provisions thereof  
3 which are not affected thereby shall continue to be in full force and effect.  
4

5       **SEC. 14. *Repealing Clause.*** All laws, presidential decrees, executive orders  
6 presidential proclamations, issuances, rules and regulations or parts thereof which  
7 are inconsistent with the provisions of this Act are hereby repealed or amended  
8 accordingly.  
9

10       **SEC. 15. *Effectivity Clause.*** - This act shall take effect fifteen (15) days from its  
11 publication in the *Official Gazette* or in a newspaper of general circulation.  
12

13       Approved,