

**MINING INDUSTRY IN UZBEKISTAN**

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### **Main regulatory acts**

- Law of the Republic of Uzbekistan on Subsoil dated 13.12.2002 No.444-II;
- Law of the Republic of Uzbekistan on Subsoil dated 31.10.2024 No.987, will come into force on 02.02.2025;
- Law of Republic of Uzbekistan on Licensing, Permitting and Notification Procedures dated 14.07.2021 No.701;
- Law of Republic of Uzbekistan on Environmental Protection dated 09.12.1992 No.754-XII;
- Law of Republic of Uzbekistan on Industrial Safety dated 28.09.2006 No.57;
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan on Measures to Further Improve the Procedure for Issuing Permits for the Right to Use Subsurface Areas dated 25.03.2022 No.133 (Resolution No.133);
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan on Measures to Further Improve the Management and Control System in the Field of Geological Exploration, Use and Protection of Mineral Resources dated 04.12.2018 No.983 (Resolution No.983);

### **1. Market entry**

The main regulator of mining sector is the Cabinet of Ministers of the Republic of Uzbekistan, which adopts policies for the development of the mining sector and licensing procedures, as well as other issues. Furthermore, there are other regulatory bodies, such as the Ministry of mining industry and geology (Ministry of mining industry), the Ministry of ecology, environmental protection and climate change (Ministry of ecology), and the Committee for industrial safety.

Main competitors in mining are state-owned companies or private companies with the state authorities or state-owned enterprises being one of the shareholders. The companies that hold dominant positions in the Uzbek mining industry include Uzbektemir JSC, Uzbekneftegaz JSC, LUKOIL Uzbekistan Operating Company LLC JV, and Olmalik AGMK JSC.

#### **1.1. Company forms**

Most widely used forms of companies in mining industry are the joints-stock companies (JSC) and limited liability companies (LLC).

The LLCs are most suitable and fast-manageable forms of business entities. Most of the foreign investors select this form for their activity. The LLC do not issue shares in the form of securities, but rather issue shareholdings in the form of participatory interest.

The JCSs are companies with shares in the form of stock, which could be traded publically and therefore they have obligation to disclose important facts relating to their activity. The reporting and procedure of management are sometimes excessive.

### **2. Subsoil use**

The main document in the mining sector is the Law on Subsoil dated 13.12.2002 No.444-II, which establishes the rules of ownership, use and disposal of subsoil. Based on this law, subsoil may be provided for use for a definite and indefinite period based on the types of use.

<b>Types of subsoil use</b>	<b>Terms of use</b>
geological exploration	up to 5 years
extraction	for the period determined by the feasibility study for the development of a deposit of mineral resources or technogenic mineral formations
artisanal mining	up to 3 years
use of technogenic mineral formations	for the period determined by the feasibility study for the development of a deposit of mineral resources or technogenic mineral formations
construction and operation of underground structures not related to mining	an unlimited period of time
formation of protected geological objects	an unlimited period of time
collecting of samples of gemstone raw materials, paleontological remains and other geological collection materials	up to 2 years

### 3. Payment for the use of subsoil

#### 3.1. Current regime

There are one-time resource payments made by the subsoil users, such as the subscription bonus and the commercial discovery bonus. These payments made by the subsoil users have received permission to use subsoil areas for *prospecting*, *exploration* and *extraction* of minerals.

**The subscription bonus** is charged for the right to explore for minerals and can range from 1'300 USD to 130'000 USD. It must be paid within 30 days of obtaining the permit for exploration.

**The commercial discovery bonus** is a payment paid for each commercial discovery of mineral deposits in the subsoil area specified in the relevant permit, including for the discovery of minerals during additional exploration of deposits, leading to an increase in the initially identified recoverable reserves. The commercial discovery bonus is also paid by subsoil users upon receipt of the right to extract minerals, if a commercial discovery bonus has not previously been paid for this deposit.

#### 3.2. New regime as of 02.02.2025

On February 02, 2025, the Law on Subsoil in new version comes into force, which implies substantial changes in the payment system for the use of subsoil. According to this new regime, both the subscription bonus and the commercial discovery bonus are replaced with other types of payment.

In particular, there are the following types of fees (in addition to the subsoil use tax):

- 1) Application review fee –paid together with the application for issuance of the permit;
- 2) An auction, tender fees, or fees based on the acts of the President of the Republic of Uzbekistan or the Cabinet of Ministers of the Republic of Uzbekistan (if applicable) – paid upon successful completion of an auction or tender or upon the adoption of an act of the President or the Cabinet of Ministers;
- 3) Annual license fee – paid only for geological exploration of solid minerals, hydrocarbon reconnaissance works, geological exploration of hydrocarbons or geological exploration for underground storage.

The license fee shall be paid for each year of use of the subsoil plot for geological exploration in accordance with the term specified in the permit.

### 4. Taxes

In Uzbekistan, tax matter is mainly regulated by the Tax Code. There are special taxes applicable to mining activities:

- land tax for the use of land (lands allocated for geological surveying and study are exempted from the land tax );
- subsoil use tax for the extraction of minerals, depending on the volume of extracted mineral (in relation to radioactive mineral the tax base is determined upon the volume traded/extracted minerals). For the uranium ore the tax rate is 8%.
- special rent tax on extraction of minerals (the minimum tax rate is 25% applied to tax base ) for the extraction of minerals.

Investors, as well as their contractors and subcontractors, are exempt from paying all types of taxes and other mandatory payments established in the Republic of Uzbekistan related to the conduct of *prospecting* and *exploration* work in subsoil areas specified in production sharing agreements.

## 5. Licenses and permits

Use of the subsoil is allowed based on a license. As a rule, a licence is required for each type of subsoil use.

The license is granted at online auction, tender, and “first come - first serve” concept. The method of obtaining the license depends on the type of subsoil use.

### 5.1. Additional permits

In addition to licenses for the exploration and extraction, there are the following permits that may be required in the course of mining or exploration activities:

No.	Name of the permit document	The authorized body to issue permit	Period of validity of permit
1.	Conclusion of the state expert examination of design documentation of geological materials	the Inspection for monitoring mining and geological activities	term specified in the project documentation
2.	Permit for mining operations	the Inspection for monitoring mining and geological activities	1 year
3.	Approval of the mining development plan	the Inspection for monitoring mining and geological activities	1 year

### 5.2. Allocation of land for the extraction

After obtaining a permit for the extraction, it is necessary to obtain a mining allotment to carry out mining works specified in the permit for subsoil use. A mining allotment is a geometrized subsoil plot, limited in area and depth, provided for use in accordance with the permit to use of subsoil. Mining allotments are granted for perpetual or fixed-term use. In cases of fixed-term use, mining allotments are provided for the period provided for by the permit for the extraction (the term is renewable).

## 6. Regulatory requirements

### 6.1. State environmental assessment

Environmental matter is mainly regulated by the Law on Environmental Protection. The law obliges subsoil users holding license/permit for the subsoil use to pass the necessary environmental impact assessment and obtain all relevant safety approvals, before commencing subsoil use works. This includes a favorable conclusion from the state environmental assessment and the Inspection for monitoring mining and geological activities. The environmental assessment is conducted by the State centre for environmental assessment under the Ministry of ecology.

In case of reconstruction or expansion of enterprises for the extraction and processing of mineral raw materials, the entities must also obtain a favorable conclusion of the state environmental assessment.

### 6.2. Industrialsafety regulations

Industrial safety relations are regulated by the Law on Industrial Safety. According to this law, areas, sites and other production facilities where mining, extraction and processing of minerals are carried out are

classified as hazardous production facilities. The hazardous production facilities are subject to industrial safety expertise. In addition, employees of a hazardous production facility are obliged to comply with industrial safety rules during employment.

### 6.3. Reporting obligations

Subsoil users in the course of their activities is obliged to submit daily, monthly, quarterly and annual reports to the Centre for the use of subsoil, depending on the type of subsoil use. The frequency and content of the reports are specified in the Subsoil Law dated 31.10.2024 No.987.

## **7. Unusual practices**

The licence holder (1) for geological exploration, (2) for the extraction may assign the right to use subsoil (in full or in part) to another person upon agreement with the Centre for the use of subsoil, if this person assumes obligations to fulfil the conditions established in the license.

It is prohibited 1) to transfer to other persons licences, obtained through auction, within 2 years from the date of their issuance and 2) to completely change the founders of the respective subsoil users (majority shareholders)

## **8. Liquidation and conservation of mining enterprises**

Mining enterprises are subject to liquidation or conservation in the following cases: expiration of the term of subsoil use; termination of the right to use subsoil areas; full exploitation of economically viable mineral reserves; and further development of the mine or a part of it is not feasible or possible due to technical and economic calculations and other reasons.

In case of liquidation or conservation subsoil user shall liquidate the consequences of subsoil use and decommission of a subsoil plot, as well as recultivate of the land plot of the surface of the subsoil and its adjacent territories. These measures shall not result in any loss of biodiversity and the subsoil user shall provide sufficient funding to ensure the sustainability of these measures in the long term.

Termination of the relevant permit does not entail termination of subsoil user's obligations to eliminate the consequences of subsoil use. If thirty years after the termination of the permit the liquidation of the consequences of subsoil use has been fully and successfully completed and no new environmental obligations have arisen, the obligation of the subsoil user is terminated.

### 8.1. Special project on liquidation and conservation

Liquidation or conservation of mining enterprises is carried out in accordance with a special technical project, which is developed by the subsoil user. This project is subject to the approval (in the form of permit document) by the Inspection for monitoring mining activities and the State Committee for industrial safety.

### 8.2. Final report

Subsoil users must submit to the Centre for the use of subsoil a final report on the results of subsoil use after the date of termination of the permit. The terms of submission and content of the reports depend on the type of subsoil use, which is stipulated in the Subsoil Law dated 31.10.2024 No.987.