

COMPREHENSIVE INTRODUCTION

On the draft law on amendments to the Law on Mining Products Exchange

Article 6, Section 2 of the Constitution of Mongolia stipulates that “Land, along with its subsoil, resources, forests, water resources, and wildlife, except for those owned by Mongolian citizens, are public property of the state.” The state policy for the use of natural resources is grounded in a long-term development strategy, aimed at ensuring the right of all citizens, both present and future, to live in a healthy and safe environment, while channeling the benefits of subsoil resources into the Sovereign Wealth Fund for equitable and fair distribution. ... the law shall establish the legal framework for ensuring that the majority of the benefits from the exploitation of strategically important mineral deposits are in line with the principle that natural resources belong to the people, and that most of the benefits should be directed back to the people.

Within the framework of implementing the Constitution of Mongolia, the Mongolian Parliament adopted the Law on the Mining Products Exchange on December 23, 2022, and the Law on the Sovereign Wealth Fund on April 19, 2024. Additionally, by Resolution No. 21, dated August 27, 2024, the “Action Program of the Government of Mongolia for 2024-2028” was approved. The program includes the construction of mega projects such as the “Gashuunsukhait-Gantsmod, Khangai-Mandal, and Shiveekhuren-Sekhee border crossings,” a cross-border railway, and coal-chemical, coke-chemical, and steel complexes. The Government of Mongolia is taking relevant measures to implement these projects.

However, due to the lack of coordination among relevant legal regulations, negative consequences persist, such as stagnation in the trading of mining products on the exchange and limited income for enterprises participating in exchange trading. This, in turn, poses a risk of hindering the enrichment of the Sovereign Wealth Fund.

Therefore, due to the critical importance of implementing the Constitution of Mongolia and other relevant laws, fulfilling obligations under international treaties, ensuring national security, and managing mineral resources in line with international standards, preparations have been made for urgent discussion in accordance with Section 33.1 of the Law on the Rules of Procedure of the Session of the Mongolian State Great Khural. Additionally, the income from these resources should be directed toward ensuring the independence of the national economy and supporting a multi-pillar economy.

Нэр. The Need and Rationale for Developing a Draft Law to Amend the Law on the Mining Products Exchange.

The need for developing the draft law is driven by the following reasons:

As of the end of 2024, the mining sector accounted for 26% of the gross domestic product, 72% of the industrial sector, 81% of foreign direct investment, 94% of export income, and 34% of budget revenue.

Total foreign trade turnover reached 3,715.8 million USD in the first two months of 2025, a decrease of 120.4 million USD (3.1%) compared to the same period last year. Exports exceeded imports by 294.0 million USD, but export revenue decreased by 235.4 million USD (10.5%) compared to the same period last year, totaling 2,004.9 million USD.

Currently, mining products are traded on the exchange through spot and forward contracts. From January 12, 2023, to March 14, 2025, a total of 43.0 million tons of mining products were traded, amounting to 17.07 trillion tugriks. There are 21 mining product sellers registered with the Mongolian Stock Exchange and 471 buyers with active contracts. The month with the highest volume of mining products traded on the Mining Products Exchange was April 2024, with a total of 55 transactions, during which 4.2 million tons of mining products were traded for 951.5 billion tugriks.

According to the trading results of the Mining Products Exchange, trading activity increased as demand and prices rose, and in December 2023, when the price of coal reached 816,000 tugriks, coal worth 1.9 trillion tugriks was traded on the exchange. As of February 2025, coal prices had fallen by 30% to 568,800 tugriks, and the number of exchange trades had decreased by a factor of nine compared to the same period the previous year. In January and February 2024, a total of 3.9 million tons of coal were traded on the Mining Products Exchange for 1.8 trillion tugriks, with an average of 6 buyers per trade, while in January and February 2025, only 428.8 thousand tons of coal were traded for 122.9 billion tugriks, with an average of 1-2 buyers per trade, reflecting a sharp decline in demand.

Due to the unclear legal framework for supplying products to domestic processing plants under the Mining Products Exchange Law, processing plants without mining licenses are facing a shortage of raw materials, hindering their ability to operate normally and causing stagnation. According to the Mineral Resources and Petroleum Authority of Mongolia, a total of 47 concentration plants (for fluor spar, coal, and iron ore) have been put into operation, despite not holding mineral exploitation licenses.

There is also a need for product prices to vary based on the quality of mining products and the supply-demand ratio. However, due to the inflexible and rigid regulation of mining product pricing on the exchange, some contracts could not be fulfilled, resulting in losses.

Additionally, with the growing global demand for clean energy to ensure energy security and combat climate change, the need for radioactive minerals is also increasing. In this regard, the government is working to bring radioactive mineral deposits, prepared for mining, into economic circulation.

Mongolia is obligated to submit data and reports on the sale of radioactive minerals to the International Atomic Energy Agency in accordance with its commitments under international treaties and conventions, making it essential to improve the licensing and supervision of radioactive minerals, streamline the process, and integrate these steps into a unified system.

Two. Structure, Regulatory Relationships, and Scope of the Draft Law

The draft law on amendments to the Law on the Mining Products Exchange has been developed with the following four articles:

Article 1 stipulates that, except in cases where state-owned or locally owned legal entities, or legal entities with state or local ownership, participate in the sale of mining products through the exchange to increase the level of processing at domestic enrichment and processing plants, the contract price shall be adjusted based on the quality of mining products and market price movements. Additionally, the Government shall approve the procedure for trading mining products through the exchange to domestic enrichment and processing plants, as well as the methodology for price adjustments. It also mandates that the State Administrative Organization responsible for Nuclear Energy consolidate and monitor information on the sale of radioactive minerals and submit it to the International Atomic Energy Agency, and that a mineral resource use fee shall be imposed on mining products traded through the exchange.

Article 2 amends the provisions of Article 10, Section 10.3, and Article 14, Section 14.1 of the Law on the Mining Products Exchange. It stipulates that when a state-owned entity or a state-affiliated legal entity that owns a strategic deposit enters into a mutually beneficial, stable, and long-term product sale agreement, the agreement shall be concluded in accordance with the decision of the Mongolian State Great Khural, and the exchange trading prices shall be announced in line with the terms of trade issued by the International Chamber of Commerce.

Article 3 was drafted to remove the word “export” from Article 4, Clause 4.1.1 of the Law, in line with the amendments to the Law on the Mining Products Exchange.

Article 4 provides for the repeal of Article 10, Section 10.4 of the Law on the Mining Products Exchange, in line with the amendments and changes being made to the Law.

Three. Expected Outcomes of Adopting the Draft Law

The adoption of the draft law amending the Law on the Mining Products Exchange is expected to have the following positive effects on society and the economy:

Improved regulation of trading mining products on exchanges will increase the number of successful exchange trades and increase sales of mining products.

By establishing regulations for the supply of raw materials to domestic concentration and processing plants, the operating conditions for plants without operating licenses will improve, leading to an increase in job opportunities and higher output of value-added products. This will create favorable conditions for the implementation of projects such as the “coal-chemical, coke-chemical complex project, and steel complex project” outlined in the “Action Program of the Government of Mongolia for 2024-2028.”

The legal framework for the economic circulation, sale, and regulation of radioactive minerals will be strengthened, ensuring the implementation of the agreement with the International Atomic Energy Agency.

The legal framework for imposing royalties on mining products traded on the exchange will be clarified.

The implementation of the agreement between the Government of Mongolia and the Government of the People’s Republic of China on the “Gashuunsukhait-Gantsmod Port Cross-Border Railway, Coal Trade, and Cooperation in Increasing the Capacity of the Tavan Tolgoi Coal Mine” will be facilitated.

Additionally, the volume of mining products sold by state-owned, locally-owned, and state- or locally-affiliated legal entities will increase, creating conditions for the enrichment of the Sovereign Wealth Fund.

Four. Accompanying Draft Legislative Amendments

The draft law on the Mining Products Exchange has been developed in accordance with the Constitution of Mongolia, relevant international treaties and conventions, other applicable laws, and the Law on Legislation.

Draft law on amendments to the Law on Minerals

In line with the draft law on amendments to the Law on Mining Products Exchange, the draft amendments to the Law on Minerals will include a definition of the name and formula for mineral resource royalty payments.

It will also include the announcement of a selection process for granting exploration licenses, subject to Government approval.

Draft law on amendments to the Law on Nuclear Energy

In line with the draft law on amendments to the Law on Mining Products Exchange, the draft amendments to the Law on Nuclear Energy will establish a legal framework for creating a state administrative organization responsible for nuclear energy.

It will also provide for the issuance of radioactive mineral licenses, subject to government approval.

Draft law on amendments to the Law on Permits

The regulations for issuing licenses related to radiation sources by the State Central Administrative Organization for Education will be transferred to the responsibilities of the State Central Administrative Organization for Industry and Mineral Resources.

Draft Resolution on Amendments to Resolution No. 13 of the Mongolian State Great Khural, 2024

In accordance with the draft law amending the Law on Nuclear Energy, the term “Nuclear Energy Agency” will be added to the “General Layout of the Structure of State Administrative Organizations” in the “Government Implementing Agency” section, as part of the responsibilities of the Minister of Industry and Mineral Resources, as approved by the Annex to Resolution No. 13 of the Mongolian State Great Khural on July 10, 2024.

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