

Main Deregulatory Reforms taken by the Correa government to promote mining

Permitting/ Environmental

Concessions:	One single concessions gives the right to companies to Prospect, Explore, Exploit, Process, and refine minerals, for 25 years renewable	
FAST TRACKING Doing away with mandatory Environmental Impact Studies for all phases of mining Initial Exploration	No studies of any kind for Prospection Now only for exploitation is an EIA required; .. For Initial exploration , a simple “ficha ambiental”, an environmental form that can be filled out by a non-professional suffices.	Reglamento Ambiental para Actividades Mineras en el Ecuador Ministry of the Environment
Advanced Exploration	For Advance Exploration, a simple Declaratoria de Impacto Ambiental (Declaration of Environmental Impact) suffices, and Terms of Reference (ToR) is not required. The declarations should be done by an qualified expert recognized by the MIN.	Reglamento Ambiental para Actividades Mineras en el Ecuador Ministry of the Environment
Exploitation	Both ToR and EIA's are required, done by qualified expert(s) under guidance of the Min of the Environment Only for those projects designated as highly impacting, will the services of a top-notch environmental Consultant be necessary to write up the documents.	Reglamento Ambiental para Actividades Mineras en el Ecuador
One Study to Rule them All	One Term of Reference and one EIA can be done for exploitation, beneficiation, and refinery	Art. 21 Mining Law
Mine suspension and closure	Based on Human Rights Violations; only by a court sentence (very difficult in governments like Ecuador without true judicial independence), plus expensive for most people	Mining Law
Based on Environmental damage	Min of the Environment has to classify the damage, can lead to closure, but after miner given a chance to respond	Art. 115 Mining Law
<u>Bosques protectores</u>	Concessions must have document from Min of the Environment certifying activities will not affect BP's and other Protected areas; however , it can secure a environmental viability certificate from the Ministry of the Environment, and proceed	Art. 9 Reglamento Ambiental para actividades mineras en el Ecuador

Economic/Fiscal Incentives

Tax/Fiscal Breaks	No income tax on earnings for 10 years after the beginning of companies showing a profit in Mining, petrochemical, shipyard, and two other "Basic Industries"	Presentation by Pro Ecuador, Berlin October 10 2017
Tax/Fiscal Breaks (cont'd) * See image below for more details	If in border Counties; the break is for 12 years; in economically depressed areas; 15 years	INCENTIVES under the <u>Organic Code of Production Commerce and Investment</u>
	Value Added Tax is refunded to mining companies	OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017
	Corporate income tax reduced from 25% to 22% for mining companies	
	100% deduction for 5 years on things like travel expenses, training, and business promotion	OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017
	Tax burden reduced from 30% (2014) to 23% by 2016 Windfall tax reduced from 70% to practically nothing (only applicable under certain circumstances and only after 4 years of paying back loans to open and operate the mine Capital gains tax only applicable when transaction is over 20% of company's value	Presentation by Pro Ecuador, Berlin October 10 2017, Min of Mines
Investment Agreements	Maintain tax rates for minimum 15 years, legal stability....	OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017
Environmental Bonds (guarantees)	Not required in case of State-Private enterprise projects	(such as the Junin project in which the State-owned Enami partners with private firm..
Fiscal Paradises	Mining law was changed to permit companies based in tax havens to operate in Ecuador--- However, it is prohibited for all politicians to have accounts in these	New Mining Law
Private-Public enterprises	No customs taxes on importation of equipment; 0 taxes for the first 10 years of operation; exoneration of currency outflow tax (5%) (ordinary citizens and companies pay this when sending money, or paying bills overseas)	OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017
MISCELLANEOUS	Agreeable to international arbitration in case of controversy	

One of the consequences policies is a massive increase of mining concessions being processed and awarded (237 last two years) and the presence of 28 new mining companies (Oct 10 Berlin presentation by the Min of Mines)

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Additional fiscal and legal reforms were approved in 2016 to further enhance investment conditions



Source: Wood Mackenzie