New royalty rates ignite uproar in Kenya's mining sector

Investors in Kenya's mining sector are up in arms over a decision by the government to increase royalties in the incipient sector.
The investors, through the Kenya Chamber of Mines (KCM), contend the move to increase royalties does not augur well for the sector that is just finding its bearings and could scare away investors.
In new laws contained in the Mining Act 2013, authorities in the East Africa nation have increased royalties for various minerals in a move aimed to generate more revenues for the government.
Rare earth, niobium and titanium which are classified as precious minerals and were attracting a royalty of 3% will now fetch 10% of their gross sales. Coal and gold royalties have been doubled to 8% and 5% respectively from 2,5% of gross sales value.
The new rates are expected to come into effect on October 30 after being published on the Kenya Gazette.
"The rates proposed by the government will make Kenya a very expensive destination for extraction of some these minerals," said KCM CEO Monica Gichuhi.
Tim Carstens, MD of Australian company Base Resources, which is among the majorinvestors in Kenya's mining sector where it is undertaking a significant titanium project, said the new rates are way beyond the world average and have the potential to scare investors flocking into the nascent industry.
"Investors will not come to countries where governments are so tight," he said.
Despite the mounting opposition from investors, the government maintains it will not retreat on its push to ensure Kenyans benefit from the vast mineral resources.
Mining Cabinet Secretary Najib Balala said the government was not willing to negotiate over the rates because foreign multinationals have been benefiting from thesector at the expense of Kenyans.
"To help this country we have to charge high royalties," he said during the annual Mining Business and Investment Conference in Kenya's capita Nairobi.
He added that currently Kenya earns a mere $243 355 in royalties from the sector annually but is targeting $11.5-million with the new rates.
But according to investors, the new rates are not competitive compared to what other African nations with charge.
According to the African Development Bank African Economic Brief report, royalties for precious metals like gold, silver and platinum are set at an average of 4% while those for base metals like iron ore, aluminium, nickel, copper, lead and zinc stand at an average of 3,5% in many African countries.
The report notes that some African nations have been revising their mining royalties upwards to gain some share of the windfall gains from rising commodity prices witnessed in recent years at the international market.
"We all understand the government must benefit, the people of Kenya must benefit and the investor must also benefit from his investment. But we need royaltyrates that will ensure Kenya does not become uncompetitive," noted Gichuhi.
Unlike other Africa nations with well-established mining industries, the Kenyan sector is just emerging. The East Africa nation is endowed with numerous minerals and is believed to have the fifth largest niobium deposit in the world estimated to be

worth $3-billion and 15% of the world’s titanium resources.
The country is accelerating the enactment of new laws and policies in order to transform mining to a vibrant sector that can contribute 10% to the gross domestic product.