Mining in Morocco: overview
by Wacif Bentaibi and Benoît Pape, Gide Loyrette Nouel

Status: Law stated as at 01-Jan-2021 | Jurisdiction: Morocco

This article highlights some of the key legal issues commonly associated with the exploration and extraction of mineral resources in Morocco. These issues form part of any due diligence exercise conducted by an investor proposing to acquire mining assets or an interest in a mining project.

This article looks at mining investment, the legal system applicable to mining, various mining laws, mineral ownership in, different types of mining tenements available, rights of miners to access land against landowners’ rights, imposition of royalties and other taxes by the various levels of government and rules and restrictions concerning foreign investment in Morocco.

Overview

1. What are the recent developments in the exploration and extraction of mineral resources in your jurisdiction?

The Moroccan Government has set out a national strategy for the development of its mining sector (excluding phosphates) with the goal of tripling the mining sector’s turnover to more than MAD15 billion by 2025. This would involve multiplying the volume of investment in mining exploration and research tenfold to nearly MAD4 billion, and doubling the jobs generated by the sector to more than 30,000 direct jobs.

To this end, the Moroccan Government modernised the legislative and regulatory framework applicable to mining activities in 2015 and 2016 through:

• Law No 33-13 Related to Mines (Mining Law), effective as from the publication in the Official Gazette of Decree No 2-15-807 on 23 May 2016 (Mining Decree).


The Mining Law and Mining Decree replaced old legislation dating back to the 1950s and adapt the regulatory framework to new market trends at an international level.

The reform had the following main impacts:

• Establishing the new mining title of exploration authorisation, allowing investors to develop exploration programmes over a wider area.

• Introducing an operating licence for tailings and slag heaps that are planned for enrichment and/or for recovery of masses consisting of waste and residues from mining products.

• Provisions relating to natural or artificial cavities for the underground storage of liquefied or gaseous natural gas and liquid hydrocarbons, or chemicals for industrial use.

• Introducing express provisions relating to environmental impact assessments and the requirement to implement an abandonment plan dealing with post-exploitation phases.

Regulatory structure

Regulation

2. What is the regulatory framework for the exploration and extraction of mineral resources?

The regulatory framework for the Moroccan mining sector is mainly based on the following laws and regulations:

• The Mining Law and Mining Decree, which set out the:
  - administrative regime applicable to the award of mining titles;
Mining in Morocco: overview

- main rights and obligations of mining title holders in the context of exploration, research or exploitation activities;
- rules governing relations between mining title holders and landowners;
- rules applicable to the supervision of mining activities by the competent authorities; and
- administrative and criminal sanctions applicable to mining operators for violation of their statutory obligations.

- Tafilalet and Figuig Mining Law, which sets out the rules applicable to traditional mining activities in the Tafilalet and Figuig regions. The establishment of a specific regulatory framework for mining activities carried out in these regions results from the existence of material mining opportunities that are not fully exploited because of non-structured mining activities. The specific regulatory framework aims to promote co-operation agreements between local operators and foreign investors and supervise mining activities through the creation of a dedicated public entity, the CADETAf (Centrale d’Achat et de Développement de la région minière de Tafilalet et de Figuig).

- Viziriel Order dated 18 February 1938 Establishing Internal Rules for the Exploitation of Mining Products Other Than Combustibles (as amended by Viziriel Order dated 9 September 1953), which sets out in particular health and security requirements for mining exploitation sites.

- Dahir dated 21 August 1940 Relating to Pledges on Mining Products, which sets out the applicable rules and formalities to grant a pledge on mining products.

In addition to the mining-specific laws and regulations above, other sectoral regulations can apply to mining activities, such as in relation to environmental matters (see Question 1).

The main law regulating the exploration and extraction of mineral resources in Morocco is the Mining Law, which requires the obtaining of a mining title before commencing mining activities. It distinguishes between exploration, research and exploitation activities as follows:

- Mining exploration. This refers to geological, geothermic and geophysical works and studies by excavation, drilling and sounding assessment carried out on the ground and/or in the water, or by airborne methods, to identify sites or zones with a mining potential. Such works may result in the issuance of a research permit. Mining exploration activities require an exploration authorisation.

- Mining research. This refers to studies and works relating to geology, geophysical and geochemistry, and research, extraction and processing trials, aimed at the determination of mineral deposits:

- extent and their reconnaissance;
- morphology, resources and nature; and
- prospects for operation and processing. Mining research activities require a research permit.

- Mining exploitation. This refers to studies and work related to the extraction, processing, upgrading and marketing of mining products. Mining exploitation activities require an operating licence.

For each of these activities, the Mining Law sets out an administrative regime that describes the process for obtaining the relevant mining title and the rights and obligations associated with each mining title.

Regulatory authorities

The main authorities involved in the regulation of the Moroccan mining sector are the:

- Ministry of Energy, Mines and Sustainable Development (MEM). Under Decree No 2-20-413 Establishing Attributions and Organisation Rules of the Mining and Energy Department of the MEM dated 3 July 2020, the MEM has responsibility for:

  - the elaboration and implementation of government policy in the energy, mining and geology sector;
  - the proper management and development of geological, energy and mining heritage;
  - the implementation of guidelines for geological research and prospecting of the country’s soil and subsoil resources;
  - taking the necessary options and measures to guarantee the security of energy supplies, generalising access for rural and urban populations to commercial energy services and ensuring the safety of people and energy and mining installations;
  - ensuring a permanent strategic and prospective vision allowing, in particular, harmonious institutional development, continuous adaptation and development of the energy, mining and geological sectors;
  - strengthening exchanges and consultation with all administrations, organisations and partners concerned in the development of the energy and mining sectors;
  - the establishment of the databases and information necessary for the preparation of economic and strategic analyses and impact studies through the establishment of an energy and mining observation and planning system; and
  - the promotion of national engineering in the energy, mining and geological fields, as well as the training of the required human resources and
Mining in Morocco: overview

...the preparation of the necessary management structures.

The MEM has delegated authority to:

- the Walis (representative of the central government in the local region) for the award of exploitation authorisations for projects of a value less than MAD200 million; and

- regional directors of the Energy and Mines Department of the MEM for the award of research permits.

(Order of the MEM No 2360-16 dated 9 December 2016.)

- National Office of Hydrocarbons and Mines (ONHYM). ONHYM is a public establishment regulated by Law No 33-01 promulgated by Dahir No 1-03-203 dated 11 November 2003 and its Decree No 2-04-372 dated 29 December 2004. It is subject to the state supervision and financial controls applicable to Moroccan public establishments. ONHYM’s mission is to:

  - carry out in the authorised zones, all studies, research and prospecting activities for the discovery of hydrocarbons deposits or any other fuel, mining deposits or any mineral substance, with the exception of phosphates;

  - undertake in the authorised areas, the development and exploitation of hydrocarbon or mining deposits or mineral substances, and to carry out all related activities, in particular ensuring the transport and upgrading of hydrocarbons and mining products in accordance with the regulations in force; and

  - promote any action likely to contribute to the development of hydrocarbon, mining and mineral products’ exploration and exploitation.

- Land Registry. The Land Registry (Agence Nationale de la Conservation Foncière du Cadastre et de la Cartographie) is a public establishment (établissement public) regulated by Law No 58-00, promulgated by Dahir No 1-02-125 dated 13 June 2002. It is subject to the state supervision and financial controls applicable to Moroccan public establishments. The Land Registry is in charge of the issuance of special titles (titres spécial) relating to each mining title registered with it.

Ownership

3. How are rights to the mineral resources held, and who holds those rights?

Mines form part of the state’s public domain under Article 3 of the Mining Law.

A research permit and operating licence provide mining operators rights in rem (droits immobiliers) over mining products excavated from underground or available on the surface.

These rights in rem are granted for a limited duration and must be distinguished from the ownership of the land surrounding the mine, meaning that mining operators must secure applicable occupancy rights separately from the applicable mining title.

Authorisation

4. What are the key features of the leases, licences or concessions that are issued under the regulatory regime? Can these rights be leased by the right-holder?

**Lease/licence/concession term**

**Exploration authorisation.** The initial duration of an exploration authorisation is two years, renewable once for a one-year period if additional exploration is required based on the results of the exploration and the contemplated investment.

Exploration work must begin within three months of the date of issuance of the authorisation and be continued regularly in accordance with the work programme agreed between the MEM and the investor.

An exploration authorisation provides its holder with exclusive rights to:

- Explore the area described in the authorisation.

- The award of research permits in the exploration area, provided that the application for a research permit is submitted while the exploration authorisation is still in force.

**Research permit.** The initial duration of a research permit is three years, renewable once for a four-year period. Renewal is subject to the completion of the applicable minimum work programme and related expenditures, and must be requested at least three months before the expiry of the three-year initial period.

A research permit provides its holder with an exclusive right to research mining products in the area described in the permit. The discovery of a deposit in the research area entitles the permit holder to the exclusive right to apply for an operating licence within the perimeter of the deposit, provided that the application for an operating licence is submitted while the research permit is still in force.

**Operating licence.** An operating licence is granted for a period of ten years and can be renewed for successive periods of ten years until available reserves are exhausted.
An operating licence confers on the holder an exclusive right to extract and/or develop mining products from a deposit with a view to obtain commercial mining products. This includes studies, preparatory work, operating and/or enrichment and/or upgrading work on such products, as well as the construction of the infrastructure necessary for such work.

**Fees**

The application fees have been revised by Decree No 2-19-543 dated 27 March 2020 as follows:

- Exploration authorisation: MAD50 per square kilometre.
- Research permit: MAD1,000 per square kilometre
- Operating licence: MAD20,000 per square kilometre and MAD10,000 per square kilometre above one square kilometre.

The fees can be revised by joint order of the governmental authority in charge of mining activities and the governmental authority in charge of financial affairs. Other fees also apply for renewals or for other required licences/permits, such as research permits for geological cavities or operating licences for tailings and slag heaps.

**Liability**

**General liability.** Under Article 62 of the Mining Law, a mining title holder is liable for damages suffered by third parties as a result of its activities. This rule is consistent with the general principles of tortious liability applicable in Morocco.

In addition, mining title holders must take all immediate measures that are necessary for the protection of human life and the environment in the event of incidents arising from their activity (Article 57, Mining Law).

Mining title holders must also take out a mandatory insurance policy to cover civil liability.

**Criminal sanctions.** Anyone who carries out exploration, research or exploitation of mining products without a mining title is liable to imprisonment for six months to two years and/or a fine ranging from MAD50,000 to MAD500,000 (Article 104, Mining Law).

If the offender is a legal person, it is liable to a fine ranging from MAD100,000 to MAD1 million. The penalty is doubled for repeated infractions.

Extracted mining products and machinery and equipment can also be confiscated. In addition, if the extracted mining products have been commercialised, the offender will have to pay the value of the mining products to the state or mining title holder.

The Mining Law also prohibits the following actions:

- Exploration, research or exploitation of mining products in reserved areas.
- Exploration, research or exploitation of mining products after expiry of the period of validity of a mining title.
- Unlawfully destroying, moving or altering the boundaries of mining titles.

**Administrative sanctions.** The authorities can apply administrative sanctions to mining title holders for non-compliance with the provisions of the Mining Law (Articles 97 et seq, Mining Law).

Applicable administrative sanctions can include the suspension of mining activities or the revocation of an operating licence.

**Restrictions**

**Exploration authorisation.** An exploration authorisation can only be granted to a legal entity. It must cover a continuous area between 100 and 600 square kilometres. The exploration area depends on the works programme and the investments contemplated by the applicant. It is not possible to hold more than four exploration authorisations.

**Research permit.** A research permit can only be granted to a legal entity. It must cover a square area with sides of at least four kilometres in length. A holder of several research permits related to adjacent zones can merge research permits, if it informs the authorities of the contemplated research activities and the related investment programme.

**Operating licence.** An operating licence can only be granted to a Moroccan legal entity. Its area is fixed according to the request of the holder of the relevant research permit(s) with reference to the extent of the discovered deposit. It cannot exceed the area of the research permit(s) from which it derives or be less than one square kilometre.

**Transfer of rights**

An exploration authorisation is a movable asset and cannot be used as a security. In addition, exploration authorisations cannot be transferred or leased.

Research permits and operating licences can be transferred or leased (Article 14, Mining Law). Such transfers and leases are subject to prior authorisation of the MEM and must cover the whole of the relevant mining title.

5. How are such leases, licences or concessions awarded?
Mining in Morocco: overview

Each mining title is subject to a specific administrative regime that provides for a different application process. However, all applications for a mining title require the applicant to provide the MEM with a file proving its technical and financial capacities.

Application for exploration authorisation

Following the submission of an application for an exploration authorisation to the MEM, an agreement is entered into between the applicant legal entity and the MEM defining the:
- Contemplated exploration works.
- Technical means to be implemented.
- Contemplated investments.

The agreement between the MEM and the applicant must be established before the grant of the exploration authorisation and within two months of filing the application (Article 3, Mining Decree).

Once exploration authorisation is granted by the MEM, it must be notified to the beneficiary within 15 days of the signature of the agreement.

Application for a research permit

The application process to obtain a research permit consists of submitting an application to the relevant authorities, currently the regional directors of the Energy and Mines Department of the MEM.

Under Article 6 of Decree 2-15-807, the authority must notify its decision to the applicant for the research permit within two months of the filing date of the application.

Application for an operating licence

To convert a research permit into an operating licence, the applicant must file its request with the MEM no later than three months before the expiry of the validity period of the applicable research permit.

The MEM will then carry out an investigation to verify the work carried out in the area covered by the research permit(s) that is the subject of the operating licence application (Article 11, Mining Decree).

The MEM or a person delegated by it for this purpose must notify the applicant of its decision within two months of the filing date of the application.

Environment

6. What are the main ongoing requirements for environmental protection?

An operating licence holder must prepare an environmental impact assessment before starting any proposed mining activities.

Under Law No 12-03 Relating to Environmental Impact Assessment (Law 12-03), mining activities are subject to a prior authorisation granted based on both:
- Environmental impact study prepared by the promoter of the project, which is reviewed by the national or regional committee on environmental impact studies.
- Environmental acceptability decision (décision d’acceptabilité environnementale) granted by the governmental authority in charge of the environment (autorité gouvernementale en charge de l’environnement).

The Mining Law also requires the holder of an operating licence to take measures to protect the mineral deposit and in particular, prepare an abandonment plan. The required contents of abandonment plans are to be defined by a forthcoming decree.

Moroccan environmental regulations provide for specific further rules:
- Waste management is regulated by Law No 28-00 dated 22 November 2006 Relating to Waste Management and Disposal.
- Sewage water use or discharge is regulated by Law No 36-15 Related to Water, promulgated by Dahir No 1-16-113 dated 10 August 2016.
- Air pollution is regulated by Law No 13-03 Related to Air Pollution Control promulgated by Dahir No 1-03-61 dated 12 May 2003. This forbids discharges, emissions and rejections into the air of pollutants that do not comply with the quantities and concentration limits set out in Decree No 2-09-631 dated 6 July 2010.

Health and safety

7. What are the main ongoing requirements for compliance with health and safety regulations?

The holder of a mining title must operate mining activities in compliance with laws and regulations related to health, hygiene and environmental protection (Article 56, Mining Law).

Viziriel Order dated 18 February 1938 Forming Internal Rules for the Exploitation of Mining Products Other Than Combustibles Mining Products (as amended by Viziriel Order dated 9 September 1953) sets out detailed health and safety requirements for carrying out exploitation activities, including obligations to:
Mining in Morocco: overview

- Maintain work areas in a constant state of cleanliness and to respect the hygiene and sanitary conditions necessary to preserve employees’ health.
- Make devices such as telephones or acoustic pipes available in underground circulating areas to enable discussions between employees, supervisors and extraction technicians.
- Take measures to prevent water stagnation and the accumulation of mud in the working area and galleries.

Foreign ownership

8. Are there any restrictions concerning the foreign investment in and ownership of companies engaged in the exploration and extraction of mineral resources?

Shareholders/managers nationality requirements

There is no restriction on the nationality of shareholders of a company engaging in mining activities in Morocco. It is not necessary to have a majority of local managers or directors, and there is no particular balance required with respect to the nationality of the members of the board or managers. As there is no citizenship requirement, shareholders are free to have exclusively foreign directors and/or managers.

Foreign exchange regulation requirements

Under Moroccan law, all cash transfers from Morocco to a foreign country must be authorised under the Foreign Exchange Regulation (FX Regulation).

To facilitate foreign investment into Morocco, the FX Regulation grants, subject to certain conditions, foreign investors freedom to:

- Carry out their investments in foreign currencies in Morocco.
- Transfer abroad all revenues generated by these investments (without limit).
- Re-transfer abroad all proceeds deriving from the sale or liquidation of these investments (without limit).

These measures are known as the Convertibility Regime.

The investments covered by the FX Regulation include, among other things, the:

- Incorporation of a Moroccan company or opening of a branch in Morocco.
- Purchase or subscription of Moroccan securities.
- Grant of shareholders’ loans paid in cash or by supplier credit.

When completed in compliance with the FX Regulation, these investments allow foreign investors to transfer abroad without limit or prior authorisation by the Foreign Exchange Office:

- Dividends or shares in profits distributed by Moroccan companies or branch offices.
- All proceeds deriving from the sale or liquidation of the investment.
- Interest produced by loans in foreign currencies made in compliance with the FX Regulation.

The requirements to benefit from the Convertibility Regime are:

- A foreign investment made in a foreign currency.
- Notification of the investment by the foreign investor (or its bank or legal counsel) to the Foreign Exchange Office within six months of completion of the investment.

Processing and sale of mineral resources

9. Are there any restrictions or limitations on the processing of extracted mineral resources?

Moroccan law does not impose any particular restrictions on the processing of extracted mineral resources.

10. Are there any restrictions or limitations on the sale, export or import of extracted or processed minerals?

Moroccan law does not impose any particular restrictions on the sale, export or import of extracted or processed minerals.

Tax

11. What payments, such as taxes or royalties, are payable by interest holders to the government?

In addition to the taxes provided by the Tax Code that are applicable to all economic activities in Morocco, a local annual tax applicable to mining exploitation.
Mining in Morocco: overview

activities is payable to the relevant region under Article 4 of Law No 47-06 Related to Local Taxes, promulgated by Dahir No 1-07-195 dated 30 November 2007.

The amount of this tax is based on the quantity of mining products extracted during mining exploitation. The rate varies depending on the extraction region between MAD1 and MAD3 per ton extracted. The taxpayer is either the concessionaire or the owner of the mining activity.

The Mining Law does not provide for further taxes or royalties.

12. Does the government derive any other economic benefits from the exploration and extraction of the mineral resources?

Corporate income tax

Mining companies are subject to a corporate income tax rate of 17.5% on the exported portion of their turnover, from the first exportation operation, without time limitation.

The portion of profits corresponding to local turnover are subject to the standard corporate income tax progressive scale (ranging from 10% to 31% for net income above MAD1 million).

Minimum tax

A minimum tax of 0.5% on total annual revenues applies to taxable Moroccan entities, with a minimum payment of MAD3,000.

Value added tax (VAT)

Mining products exported from Morocco are exempt from VAT. Turnover in mining products performed locally is subject to the standard VAT rate of 20%.

13. What taxes and duties apply on the import and export of mineral resources?

Mining products exported from Morocco are exempt from VAT.

VAT applies at the rate of 20% (ad valorem) to imports (Article 120, Tax Code).

The custom duties applicable to imported mining products are listed in a classification code and depend on the exporting country (especially if a free trade agreement applies), and on the type of mining product as referenced by the Moroccan customs nomenclature.

Reform

14. Are there any plans for changes to the legal and regulatory framework?

In addition to the issuance of the Mining Law in 2015 and Mining Decree in 2016, the Moroccan Government has started to work on further improvements of the legislative and regulatory framework relating to mining activities.

Contemplated modifications relate in particular to the:

- Status of mining companies’ employees, which is currently regulated by Dahir No 1-60-007 Forming the Status of Mining Companies Employees.
- Tax regime applicable to mining activities.

In July 2020, the MEM issued a draft law amending the Mining Law to resolve difficulties met by mining operators and develop the Moroccan mining sector. The main provisions of this draft law relate to:

- The definition of mining products, which would include natural hydrogen. The draft law also creates a specific process to determine whether a product is considered a mining product under the Mining Law.
- The obligation for companies applying for a mining permit to be awarded first with a categorisation certificate (attestation de categorisation) by Moroccan authorities.
- The strengthening of local content obligations applicable to mining companies (for example, mining companies will have to hire individuals located in the region where mining operations are located or use local products).
- Risk assessments and safety controls to be carried out annually by mining companies.
- The use of a competitive process for the award of slag heaps operating licences.
- The obligation to provide a surety bond (cautionnement) to be awarded a mining permit.
- The possibility for mining permits holders to subcontract mining operations, subject to the approval of Moroccan authorities.

The creation of a national mining committee that will provide advice on mining issues.
Contributor profiles

Wacef Bentaibi, Partner
Gide Loyrette Nouel
T +212 5 2248 9032
F +212 5 2248 9001
E wacef.bentaibi@gide.com
W www.gide.com

Professional qualifications. Legal adviser/attorney registered with the Paris Bar
Areas of practice. Projects (energy and infrastructure) with a focus on the energy sector (power, gas, oil, mining, renewables); public law; regulatory.

Recent transactions
• Assisting a Canadian mining company in the development of mining activities in Morocco.
• Advising multiple IOC’s in the context of their oil and gas exploration, and exploitation activities in Morocco and in the wider MENA region (notably Mauritania and Tunisia).
• Advising a French-based mining operator for the negotiation and conclusion of an amodiation agreement (convention d’amodiation) with the ONHYM and general assistance on the regulatory aspects relating to its mining permits.
• Advising the Kingdom of Morocco in relation to the preparation of the new Moroccan mining code.
• Assisting an IOC in the analysis and comment on a draft law regulating the midstream and downstream gas sector in Morocco.
• Advising an international consortium on the development of PV Projects in Benin.
• Advising International Financial Institutions (IFIs) in the context of the financing of energy-related projects in Morocco.
• Advising a French consortium in relation to the PPP for the design, financing, development, operation and maintenance of a desalination plant and a wind farm in Morocco.
• Advising the Moroccan National Office for Electricity and Potable Water (Office National de l’Eau Potable et de l’Electricité) (ONEE)

in relation to electricity/water distribution regulatory issues.
• Advising multiple private operators in the context of the development of renewable energy projects (solar, biomass, wind) in Morocco.

Languages. French, English, Arabic
Professional associations/memberships. Member of the Paris Bar Association since 2005.

Publications
• Training seminars on energy law at the International Chamber of Commerce (ICC) Morocco since 2013.

Benoit Pape, Associate
Gide Loyrette Nouel
T +212 5 22 48 90 28
F +212 5 2248 9001
E benoit.pape@gide.com
W www.gide.com

Professional qualifications. Legal adviser/attorney registered with the Paris Bar
Areas of practice. Projects (energy and infrastructure) with a focus on the energy sector (power, gas, oil, mining, renewables); public law; regulatory.

Recent transactions
• Assisting a Canadian mining company in the development of mining activities in Morocco.
• Advising a French-based mining operator for the negotiation and conclusion of an amodiation agreement (convention d’amodiation) with the ONHYM and general assistance on the regulatory aspects relating to its mining permits.
• Advising a French consortium in relation to the PPP for the design, financing, development, operation and maintenance of a desalination plant in Morocco.
• Advising private operators in the context of the development of renewable energy projects (solar, biomass, wind) in Morocco.
Mining in Morocco: overview

- Advising oil and gas operators in relation to its upstream oil and gas activities in Morocco.
- Advising an investor in the context of the acquisition of the energy activities of a Moroccan company.
- Advising an institutional player in the port industry on issues related to the implementation of authorisations and port concessions.

Languages. French, English

Professional associations/memberships. Member of the Paris Bar Association since 2016.