



# Net Present Value of Forests

## Why in News

The Ministry of Mines has requested the Forest Advisory Committee (Ministry of Environment, Forest and Climate Change) to **exempt digging exploratory boreholes** from **Net Present Value (NPV)**.

- In 2018, the Ministry of Coal, the Ministry of Mines and the Ministry of Petroleum and Natural Gas had sought to be exempted from forest clearances for exploratory boreholes.

## Key Points

- **Exploratory Boreholes:** An exploratory borehole is drilled for the purpose of identifying the characteristics, location, quantity and quality of a resource (coal, metal or petroleum).
  - It is a part of **prospecting a site** for future use for mining and extraction activities.
- **Net Present Value (NPV):** It is a mandatory one-time payment that a user has to make for diverting forestland for non-forest use, under the **Forest (Conservation) Act, 1980**.
  - **Calculation:** This is calculated on the basis of the services and ecological value of the forests.
    - It depends on the **location and nature of the forest and the type of industrial enterprise** that will replace a particular parcel of forest.
    - These payments go to the **Compensatory Afforestation Fund (CAF)** and are **used for afforestation and reforestation**.
    - The CAF is managed by the **Compensatory Afforestation Management and Planning Authority (CAMPA)**.
  - **Decided by:** The **Forest Advisory Committee** constituted by the Ministry of Environment, Forest and Climate Change (MoEF&CC) decides on whether forests can be diverted for projects and the NPV to be charged.
    - It is a **statutory body** constituted by the Forest (Conservation) Act 1980.
  - **Exemptions:** Some projects have been provided exemption from paying NPV like construction of **Schools, Hospitals, village tanks, laying down of optical fibre** etc. Projects like underground mining and wind energy plants have been given a 50% exemption from NPV.
  - **Background:** In the **N. Godavarman Thirumulpad v. Union of India case, 2008**, the **Supreme Court mandated** the payment of NPV.
    - The **Kanchan Gupta Committee** developed the concept of NPV after this case.
- **Argument by Ministry of Mines:** All areas of exploration are not converted into mining. Only about 1% of cases are converted to mining.
  - Payment of NPV at a present rate of 2% or 5% NPV of the total forest area in the lease area is one of the major challenges which leads to **delay in the exploration/ prospecting activities**.
- **Response from the Forest Advisory Committee :** While it was not possible to do away with

NPV, it recommended that the MoEF&CC may consider charging NPV on a per borehole basis instead of the present practice of charging 2 or 5%.

### **Forest Conservation Act, 1980**

- The Forest Conservation Act, 1980 stipulated that the central permission is necessary to practice sustainable agro-forestry in forest areas. Violation or lack of permit was treated as a **criminal offence**.
- It puts a restriction on the **use of forest-land for non-forest purposes**.
- It targeted to **limit deforestation, conserve biodiversity and save wildlife**.

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