



GUIDELINES ON ENVIRONMENTAL RESTORATION BOND, 2025



Department of Geology and Mines
Ministry of Energy and Natural Resources
Royal Government of Bhutan

Secretary
Ministry of Energy and Natural Resources
Thimphu, Bhutan

Acronyms

- **BG** - Bank Guarantee
- **CD** - Current Deposits
- **DGM** - Department of Geology and Mines
- **DTA** - Department of Treasury and Accounts
- **ERB** - Environmental Restoration Bond
- **e-PEMS** - Electronic Public Expenditure Management System
- **FAM** - Finance and Accounting Manual
- **FIAB** - Financial Institutions Association of Bhutan
- **FMFS** - Final Mine Feasibility Study
- **MoF** - Ministry of Finance
- **MoENR** - Ministry of Energy and Natural Resources
- **PRR** - Procurement Rules and Regulations
- **RD** - Refundable Deposits



Table of Content

Table of Content.....	2
1. Rationale.....	3
2. Environmental Restoration Bond.....	3
3. Scope.....	4
4. Operation and Management of ERB.....	4
4.1 Consolidated Current Deposits Account.....	4
4.2 Refundable Deposits Account.....	5
4.3. Bank Guarantees (BG).....	6
5. Refund of ERB.....	7
6. Forfeiture or Retention of ERB by DGM.....	8
7. Auditing.....	8
8. Amendment.....	9
9. Effective Date.....	9
10. Transitional Arrangements.....	9



1. Rationale

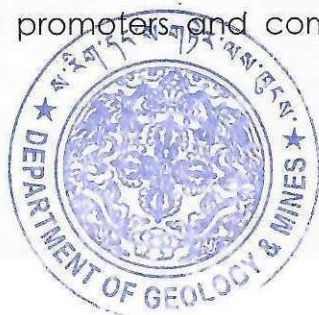
The Environmental Restoration Bond (ERB) is a security deposit required from mining lessees to ensure mine reclamation and environmental restoration upon the surrender, termination, or expiration of a mining lease in line with sections 70 and 71 of Mines and Minerals Management Regulations(MMMR) 2022. The ERB is collected into a consolidated CD account for the management of the Environmental Restoration Bond (ERB).

With the implementation of the electronic Public Expenditure Management System (e-PEMS) in 2019, the Department of Geology and Mines(DGM), Ministry of Energy and Natural Resources (MoENR), in collaboration with Ministry of Finance(MoF), has used RD accounts for ERB management considering the multiple advantages of using e-PEMS (RD Account) such as maintenance of proper books of accounts, smooth handing-taking of charges while employees are transferred, etc.

To further improve financial security and ease the burden on mining operators, the MoF has notified the acceptance of a Bank Guarantee(BG) or other financial instruments in lieu of a cash deposit vide Notification No. MoF/DTA/TMD/GEN/01/2024-25/691 dated 25/02/2025. As per the notification, the MoENR will serve as the custodian of the BGs and will be responsible for implementing this policy change in accordance with this guideline.

2. Environmental Restoration Bond

An Environmental Restoration Bond is a security deposit made by the lessee (mining promoters and companies) to the government for mine reclamation



and environmental restoration in the mine. It is payable proportionately to the amount specified in the approved Final Mine Feasibility Study (FMFS) calculated based on the approved ERB Estimation Formula in Annex. 4 of Mines and Minerals Management Regulations 2022.

The lessee must carry out reclamation and restoration work in the mine or quarry on surrender, termination, or the expiry of the mining lease and reclaim the bond upon certification by the DGM. However, if the lessee fails to carry out reclamation and restoration works as per the FMFS or up to the satisfaction of the DGM, the bond shall be utilized to cover the cost of reclamation and restoration works, and any differences between the actual cost incurred and the amount of the bond deposited shall be refunded to the lessee.

3. Scope

The Guidelines shall be applicable for the operation and management of Environmental Restoration Bonds.

4. Operation and Management of ERB

The ERB can be operated and managed in two accounts and in the form of BGs.

4.1 Consolidated Current Deposits Account

- a. A consolidated CD account No. 205628353 named as "Environmental Restoration Bond" has been opened with Bank of Bhutan based on the authorization of the Ministry of Finance.



- b. The DGM and Finance Division, MoENR, shall operate this CD account to facilitate lessees in making direct deposits.
- c. The DGM shall work out ERB payable by the lessee in accordance with the approved FMFS and the mining lease agreement.
- d. The Lessee shall deposit the ERB payable as per the following:
 - i. The upfront ERB component ($Ax + By$) may be deposited in the form of BGs with the option to deposit in cash to the CD account.
 - ii. The production component (Cz) of the ERB shall be deposited in cash to the CD account.
- e. The Lessee shall submit the proof of the ERB deposit to the DGM.
- f. The DGM shall reconcile the ERB amounts deposited by the lessees and provide the details on the amount to be transferred to the RD account.
- g. The DGM shall provide the details of the Lessee such as name, Tax Payers Number(TPN), Bank Account No. and the Bank to the Finance Division.
- h. The DGM shall provide the details to the Finance Division for the refund to be made to the Lessee.

4.2 Refundable Deposits Account

- a. This Centralized Refundable Account will be used to operate and manage the ERB.



b. The Finance Division shall:

- i. Be responsible for transferring the deposits from the "Environmental Restoration Bond" account to the RD account based on the written communication from DGM.
- ii. Update Lessee details in e-PEMS in consultation with the Department of Treasury and Accounts, MoF.
- iii. Make deposits to the RD account in consultation with DGM.
- iv. Initiate the transactions as per the details provided by the DGM.
- v. Provide system generated receipts to the lessee and DGM.
- vi. Provide statements of fund balances of ERB for respective lessee/lessees as and when requested by the DGM.
- vii. Request for release of funds (partial or full) from RD account to CD account based on the request by DGM.
- viii. Refund to the respective lessee, and
- ix. Intimate DGM on refunds made.

4.3. Bank Guarantees (BG)

- a. The Lessee shall submit the BG in the form of original BG to the DGM.
- b. The validity of the BG shall be for the entire lease period.
- c. The BG shall be addressed to the Head of the Department, DGM.
- d. The BG shall be an unconditional irrecoverable form of guarantees of the Banks to cover the risk for the proposed activity during the entire duration.



- e. The Electronic Bank Guarantees (e-BGs) with digital signatures shall be encouraged and adopted, where possible to reduce the risk associated with loss, forgery or tampering.
- f. In certain circumstances where the lease renewal is delayed, the BG shall be renewed for a minimum period of 1 year.
- g. The DGM shall verify and validate the authenticity and validity of the BG through respective Banks;
 - i. The focal officer from the DGM shall verify the BG number, beneficiary and validity from the issuing banks in person; or
 - ii. The issuing bank shall be requested to furnish additional written communication in the prescribed format to the Department.
- h. The DGM shall ensure that the BGs are securely stored in a fire proof Safe Box.

5. Refund of ERB

- a. The Lessee shall reclaim the ERB upon approval/acceptance of reclamation and restoration works by the DGM.
- b. The DGM shall request for the release of funds to the Finance Division, MoENR.
- c. The Finance Division, MoENR shall request the release of funds to the CD account from the Department of Treasury and Accounts, MoF.
- d. The Department of Treasury and Accounts, MoF shall release the fund on time to the CD accounts based on release request made by the Finance Division, MoENR.



- e. The Finance Division, MoENR shall release the ERB to the Lessee accounts on recommendation of DGM and upon fulfillment of due process.

6. Forfeiture or Retention of ERB by DGM

- a. If the Lessee fails to carry out reclamation and restoration work, the refund will be made to the "Environmental Restoration Bond" account so that DGM can utilize the fund to carry out reclamation and restoration works of the mine.
- b. If the Lessee fails to carry out reclamation and restoration work, the DGM shall:
- i. Encash the upfront ERB amount in the form of BG from the concerned issuing Bank and deposit it into the ERB account. So that the DGM can utilize the fund to carry out reclamation and restoration works in the mine.
 - ii. Forfeit or retain the cash ERB deposits amount made for the production component (Cz) and maintain in the consolidated ERB CD account so that DGM can utilize the fund to carry out reclamation and restoration works in the mine.

7. Auditing

- a. The operation and management of ERB shall be subject to audit by the Royal Audit Authority or any other competent authorities.



8. Amendment

- a. The Guidelines shall be amended from time to time by the DGM, MoENR based on the requirement.

9. Effective Date

- a. The Guidelines shall be implemented with effect from 1st July, 2025.

10. Transitional Arrangements

- a. The Lessee may deposit BG in lieu of the upfront ERB amount already deposited into the CD account and claim the refund of the equivalent upfront ERB amount.
- b. The DGM shall request the Finance Division, MoENR for refund of the equivalent upfront ERB amount in favor of Lessee upon receipt of BG.
- c. The Finance Division, MoENR shall request the Department of Treasury and Accounts, MoF for refund of the equivalent upfront ERB at least three weeks in advance.
- d. The Finance Division, MoENR shall release the equivalent upfront ERB amount to the Lessee's account on recommendation of DGM and upon fulfillment of due process.

