
KINSTELLAR

SURFING GUIDE SERIES

Uzbekistan's rare earth elements sector

Short guide for lawyers, investors and lenders



Table of contents

1. Strategic context of Uzbekistan's rare earth elements sector

Uzbekistan is increasingly viewed as a prospective jurisdiction for rare earth elements and associated critical minerals ("REEs"). The sector is primarily policy-driven, with state authorities actively promoting exploration and foreign investment.

Under subsoil legislation, REEs fall within categories subject to heightened regulatory oversight, reflecting their economic and strategic significance. As a result, licensing, export, and commercialization conditions may differ from those applicable to ordinary construction or industrial minerals.

Recent reforms have focused on modernizing the legal and fiscal framework, including adjustments to sector-specific taxation and licensing procedures in mining sector. The regulatory regime remains evolutionary, requiring adoption of certain transactional and regulatory (project-specific) instruments to address customary investors-related as well as bankability considerations.

The government has also moved toward alignment of reserve and resource reporting with CRIRSCO standards, intended to improve the credibility of geological data. Investors are customarily expected to independently assess data quality, verification practices, and the maturity of deposit evaluations.

2. Geological overview

Uzbekistan possesses a vast and diverse mineral resource base, with the national register accounting for over 2,500 deposits and a total estimated in-situ resource value of approximately \$3.3 trillion.

While historically recognized for its world-class reserves of gold, copper, and uranium, the country is now prioritizing the development of REEs located within the strategic Tien Shan mineral belt. Significant geological prospects for lithium, tungsten, graphite, and various rare earth elements have been identified at sites such as Nurlikon and the Sultanbobob massif, complemented by substantial potential for rare earth element recovery from historical industrial tailings.

On its website, "Uzbekistan Technological Metals Complex" LLC, a state-owned enterprise set up to develop REEs, provides geological data and resource assessments, including maps and prospect-ed deposits.¹

¹ <https://uztmk.uz/en/invest>

3. State ownership and the legal nature of subsoil usage rights

All subsoil resources in Uzbekistan are state-owned. Investors cannot acquire ownership of mineral deposits. Commercial rights are obtained through a Subsoil Use Permit, which grants exclusive rights to explore or extract within a defined area and term.

Extracted minerals become the property of the permit holder, subject to compliance with permit conditions and applicable regulations.

As per recently introduced changes, permits are transferable and may be pledged as collateral, typically requiring prior governmental consent. Foreign investors may participate through 100% foreign-owned locally incorporated Uzbek entities, as there are no statutory limits on foreign equity participation in companies involved in the mining sector.

A subsoil permit does not confer surface land rights. Mining operations require a separate land allocation (typically based on land lease), usually aligned with the permit duration.

4. Licensing and access to deposits

Subsoil rights are granted through three primary routes:

- **Electronic auctions (standard route):** Rights to most known deposits are awarded to the highest bidder via the E-auksion platform.
- **Competitive tenders (strategic deposits):** Typically, a two-stage process assessing technical and financial capacity; used for assets designated as strategic or high-value.
- **Direct negotiation (unreserved areas):** primarily applied to areas outside auction or tender zones, potentially involving a 45-day "Swiss Challenge" publication, after which the initiator proceeds to direct negotiations if no competing interest arises.

Typical license terms: exploration - up to ~5 years; mining - up to ~25 years, depending on project parameters and approvals.

Regulatory discretion remains significant, particularly for strategic resources. Practical delays most often arise during approval of technical project documentation and environmental assessments.

The timing risk is driven less by statutory terms and more by project documentation approvals, including technical development plans and environmental assessments. Licenses are subject to suspension or revocation for non-compliance, including failure to meet work obligations, environmental violations, or payment defaults.

5. Stability of rights and regulatory change risk

Subsoil use rights are contract-based and are statutorily protected against arbitrary interference. Permit terms are not typically subject to unilateral commercial revision by the state; material changes are usually processed through approval of updated project documentation (e.g., following reserve revisions or technical modifications).

Authorities retain statutory powers to restrict, suspend, or revoke rights in certain circumstances, including national security, public health, environmental protection, or persistent non-compliance with license conditions.

The legal framework permits negotiation of stabilization guarantees, allowing investors to preserve specified tax and fiscal terms applicable at project inception. Such protections are limited and normally exclude subsequent changes in laws concerning national security, defense, environmental protection, and industrial safety. A well drafted “change in law” concept is typically expected to be incorporated to the respective project documents, by investors and lenders.

Recent reforms have increased formal legal certainty, while regulatory evolution remains a structural feature of the sector.

6. State participation and strategic control

This strategic landscape is managed by a coordinated regulatory ecosystem. The Ministry of Mining Industry and Geology sets national policy and manages geological data, while its “Center for Subsoil Use” handles the formal issuance of permits. The Ministry of Investment, Industry, and Trade further supports these efforts by coordinating international cooperation and managing incentives within Special Economic Zones (if applicable) and is responsible for concluding investment agreements on behalf of Uzbek government to provide certain tailored exemptions and incentives. Several concession options are generally available for large scale projects, including investment agreements with Uzbek government, PPP and PSA regimes.

Joint ventures with state-owned enterprises are not a mandatory requirement for subsoil use; foreign investors may legally hold 100% of a locally registered project company. However, as a matter of general practice, Uzbek government would expect investors to closely cooperate with “Uzbekistan Technological Metals Complex” LLC².

² <https://uztmk.uz>

7. Environmental, social, and ESG-specific risks

Mining projects require a positive State Environmental Expert Review prior to commencement. Rare earth deposits may trigger enhanced compliance obligations in projects involving radioactive or hazardous components, potentially requiring specialized permits, radiation safety controls, and regulated tailings/waste management. Operators are typically required to finance closure, remediation, and site restoration.

Projects affecting land use or located near settlements may require agreements with local authorities and affected stakeholders, including compensation arrangements. Local content expectations commonly apply, particularly workforce localization and procurement of domestic goods and services.

Regulatory compliance is a continuing condition of subsoil use. Environmental, industrial safety, or waste management violations may result in operational suspension, penalties, or license revocation, particularly where health or environmental risks are identified.

8. Land, infrastructure, and access issues

A subsoil or mining license does not automatically confer surface land rights. Land plots required for operations are allocated directly by the state to the subsoil user, typically via lease arrangements aligned with the license term.

Where activities affect existing land users, compensation and legally prescribed land-use procedures apply. Land access for exploration or auxiliary works may be structured through easements or other limited use rights rather than full leases.

Project execution risk frequently arises from land allocation timing, site designation constraints, and coordination with local authorities.

Subsoil users generally bear responsibility for financing and constructing project infrastructure, including access roads, power, water, and related facilities, unless otherwise agreed with the state.

Construction that would obstruct future extraction or conflict with safety and sanitary rules may be restricted. Buffer zones and protected areas can impose material design and location limitations. Subsoil users must suspend operations and notify authorities upon discovering significant cultural or archaeological finds, after which the state has 60 days to claim the site or authorize the continuation of operations.

9. Local content, processing, and value-add obligations

Subsoil users are subject to local content and employment requirements, which should be factored into project structuring and procurement strategies. Workforce rules typically prioritize the hiring of Uzbek nationals, particularly for categories of labor designated by regulation.

Procurement frameworks may impose local sourcing expectations or thresholds, commonly conditioned on competitive quality and pricing criteria.

Foreign personnel requires formal work permits and is subject to statutory quotas, such as a general 20% cap on foreign specialists and managers per category. These constraints, along with the requirement to hire local citizens should be addressed during the initial corporate setup to ensure smooth project mobilization.

Non-compliance with mandatory local content or related regulatory obligations may trigger financial penalties, operational restrictions, or license revocation, making compliance management a material legal risk area.

10. Transfers, financing, and security interests

The rights granted under a subsoil use permit may be assigned or transferred to third parties, subject to prior regulatory approval and confirmation that the transferee satisfies applicable technical and compliance requirements. Regulatory oversight commonly extends to indirect transfers and changes of control.

Licenses obtained through competitive procedures may be subject to temporary transfer restrictions, creating structuring and exit timing considerations for investors and lenders.

Subsoil permits may generally be pledged as security, forming a central element of project finance structures. Enforcement typically requires regulator involvement to validate the successor holder or operator.

Lenders should evaluate consent mechanics, step-in rights, and practical enforcement risk, including the regulator's discretion in approving transfers upon default. Cross-border financing structures must also account for local law requirements governing security creation, perfection, and enforcement.

³ <https://investmentpolicy.unctad.org/international-investment-agreements/countries/226/uzbekistan>

11. Dispute resolution and enforcement risk

Subsoil resources are classified as immovable property, and disputes concerning such assets generally fall under the exclusive jurisdiction of the Uzbek courts. However, the Law "On Subsoil" provides a specific exception for investors: subsoil users may refer disputes to international arbitration if a valid arbitration clause is included in a contract concluded between the investor and the Republic of Uzbekistan or is provided for under a Bilateral Investment Treaty (BIT).

Uzbekistan is member of Washington Convention and The New York Convention. Additionally, country is a party to over 50 BITs³. Project security is further reinforced by statutory procedural safeguards, such as a mandatory "cure period" to fix violations before a permit can be revoked, and prohibits any unlawful state interference in mining activities.

12. Sanctions, export controls, and geopolitics

Rare earth elements are commonly treated as strategically sensitive resources, exposing projects to elevated regulatory oversight. Export of certain minerals may require specific licensing or approvals, and the state retains authority to impose restrictions where national interests are implicated.

While Uzbekistan pursues a policy of investment liberalization to attract both Western and Asian foreign direct investment, projects remain indirectly exposed to foreign sanctions regimes, trade controls, and financial restrictions affecting offtake, counterparties, and funding channels.

Statutory stabilization and investment-protection clauses generally do not shield investors from emergency government actions taken for national security or public interest reasons, meaning the state may in certain scenarios still impose measures, such as export controls, local processing requirements, or other interventions.



13. Exit strategies and end-of-life obligations

Mine closure and site rehabilitation obligations are mandatory and form a continuing condition of sub-soil use. Operators are required by law to dismantle facilities, remediate environmental impacts, and restore affected land in accordance with approved technical and environmental plans.

Projects are typically required to maintain financial security mechanisms, such as bank guarantees, insurance, or dedicated reserve funds, to cover closure and reclamation costs. These obligations represent a material long-term liability and should be reflected in financial models and security packages.

Cessation of operations, whether voluntary or due to economic conditions, does not extinguish closure responsibilities. Formal state procedures generally govern project termination, including submission and approval of a liquidation or closure plan.

Environmental and remediation liabilities may survive license expiration or termination, creating residual risk for sponsors, shareholders, and, in certain structures, for lenders.

From a risk perspective, exit outcomes are driven by regulatory compliance, adequacy of financial provisioning, and adherence to approved closure frameworks rather than purely commercial considerations.

Kinstellar expresses its gratitude to the Ministry of Mining Industry and Geology of the Republic of Uzbekistan and TMK – Uzbekistan Technological Metals Complex for their support in the preparation of this guide.

Authors



Otabek Suleymanov

Partner

+998 78 150 6221

otabek.suleymanov@kinstellar.com

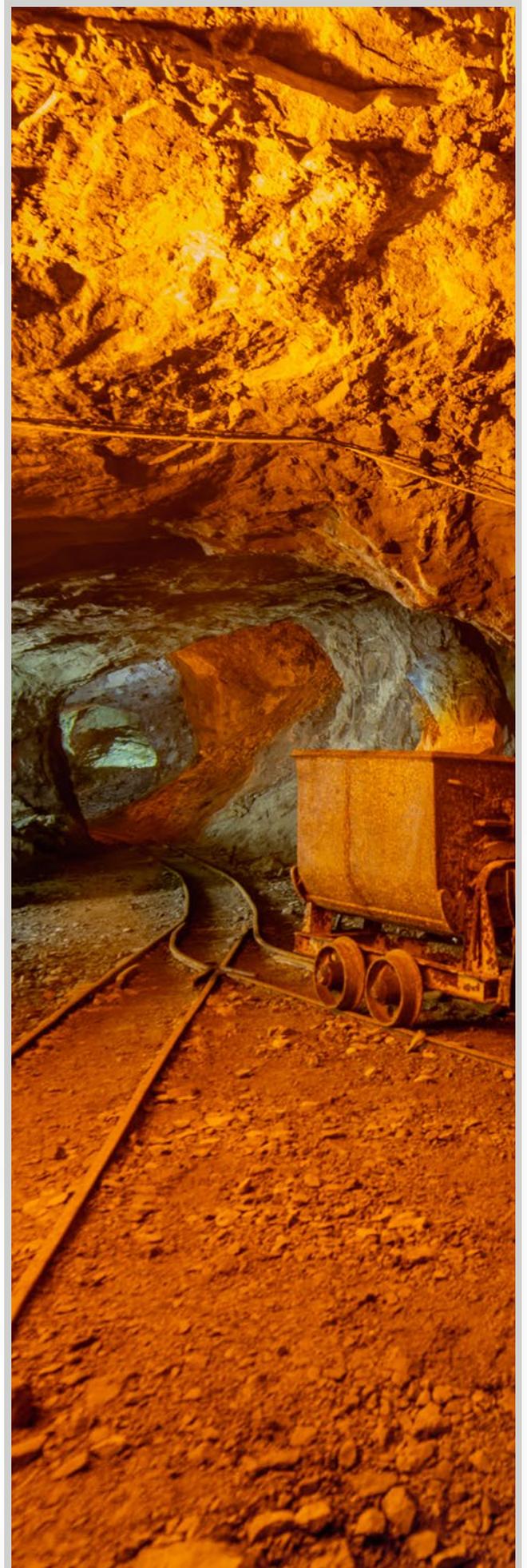


Rustamjon Salomov

Junior Associate

+998 78 150 6221

rustamjon.salomov@kinstellar.com



Leading independent law firm in Central and Southeastern Europe and Central Asia

With offices in 12 jurisdictions and over 300 local and international lawyers, we deliver consistent, joined-up legal advice and assistance across diverse regional markets — together with the know-how and experience to champion your interests while minimising exposure to risk.

ALMATY | KAZAKHSTAN
ASTANA | KAZAKHSTAN
BELGRADE | SERBIA
BRATISLAVA | SLOVAKIA
BUCHAREST | ROMANIA

BUDAPEST | HUNGARY
ISTANBUL | TÜRKIYE
KYIV | UKRAINE
PRAGUE | CZECH REPUBLIC

SOFIA | BULGARIA
TASHKENT | UZBEKISTAN
VIENNA | AUSTRIA
ZAGREB | CROATIA

KINSTELLAR